

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

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of the Company.



UKF (HOLDINGS) LIMITED

英裘(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code on Main Board: 1468)

(Stock Code on GEM: 8168)

TRANSFER OF LISTING FROM THE GROWTH ENTERPRISE MARKET TO THE MAIN BOARD OF THE STOCK EXCHANGE OF HONG KONG LIMITED

Financial Adviser to the Company



VC CAPITAL LIMITED

滙盈融資有限公司

On 10 September 2014, an application was made by the Company to the Stock Exchange for the transfer of listing from GEM to the Main Board. On 9 March 2015, the application lapsed automatically and the Company submitted to the Stock Exchange on 10 March 2015 to renew the application.

The Company has applied for the listing of, and permission to deal in, (i) the 2,006,302,000 Shares in issue, (ii) the 66,389,600 Shares which may be issued upon the exercise of outstanding options granted under the Pre-IPO Share Option Scheme; (iii) the 34,180,000 Shares which may be issued upon the exercise of outstanding options granted under the Share Option Scheme; and (iv) the 145,697,600 Shares which may be issued upon the exercise of any options which may be granted but have not yet been granted under the Share Option Scheme and/or up to a maximum of 150,000,000 Shares which may be issued upon exercise of the remaining Warrants, on the Main Board by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the approval in-principle for the Transfer of Listing was granted by the Stock Exchange on 12 March 2015. The last day of dealings in the Shares on GEM will be Thursday, 19 March 2015. Dealings in the Shares on the Main Board will commence at 9:00 a.m. on Friday, 20 March 2015 and the Shares will be delisted from GEM.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates.

Currently, the Shares are traded in a board lot size of 10,000 Shares each and are traded in Hong Kong dollars. The Hong Kong share registrar and transfer office is Tricor Investor Services Limited. No change will be made to the Chinese and English stock short names of the Company, the existing share certificates, board lot size, trading currency and share registrar of the Shares in connection with the Transfer of Listing.

Reference is made to the announcements issued by the Company dated 18 July 2014, 10 September 2014 and 9 March 2015 in relation to the Transfer of Listing.

TRANSFER OF LISTING FROM GEM TO THE MAIN BOARD

On 10 September 2014, an application was made by the Company to the Stock Exchange for the Transfer of Listing. On 9 March 2015, the application lapsed automatically and the Company submitted to the Stock Exchange on 10 March 2015 to renew the application. The Company has applied for the listing of, and permission to deal in, (i) the 2,006,302,000 Shares in issue, (ii) the 66,389,600 Shares which may be issued upon the exercise of outstanding options granted under the Pre-IPO Share Option Scheme; (iii) the 34,180,000 Shares which may be issued upon the exercise of outstanding options granted under the Share Option Scheme; and (iv) the 145,697,600 Shares which may be issued upon the exercise of any options which may be granted but have not yet been granted under the Share Option Scheme and/or up to a maximum of 150,000,000 Shares which may be issued upon exercise of any subscription rights under the remaining Warrants, on the Main Board by way of transfer of listing from GEM to the Main Board.

The Board is pleased to announce that the approval in-principle for the Transfer of Listing was granted by the Stock Exchange on 12 March 2015. The last day of dealings in the Shares on GEM will be Thursday, 19 March 2015. Dealings in the Shares on the Main Board will commence at 9:00 a.m. on Friday, 20 March 2015 and the Shares will be delisted from GEM.

REASONS FOR THE TRANSFER OF LISTING

The Company has been listed on GEM since 24 August 2012. The Group is principally engaged in the trading of fur skins, fur skin brokerage and mink farming.

The Board believes that the listing of the Shares on the Main Board will enhance the profile and public recognition of the Company as well as increase the trading liquidity of the Shares. The Board considers that the listing of the Shares on the Main Board will be beneficial to the future growth, financial flexibility and business development of the Group.

As at the date of this announcement, there is no intention of the Board to change the nature of the business of the Group following the Transfer of Listing. The Transfer of Listing will not involve the issue of any new Shares by the Company.

DEALINGS IN THE SHARES ON THE MAIN BOARD

The Shares have been accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from 24 August 2012, the date on which the Shares were listed on GEM. Subject to the continuing compliance with the stock admission requirements of HKSCC, the Shares will continue to be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS once dealings in the Shares on the Main Board commence, and that all activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The last day of dealings in the Shares on GEM (Stock Code: 8168) will be Thursday, 19 March 2015. Dealings in the Shares on the Main Board (Stock Code: 1468) will commence at 9:00 a.m. on Friday, 20 March 2015.

The Transfer of Listing will have no effect on the existing share certificates in respect of the Shares which will continue to be good evidence of legal title and be valid for delivery, trading, settlement and registration purposes, and will not involve any transfer or exchange of the existing share certificates.

Currently, the Shares are traded in a board lot size of 10,000 Shares each and are traded in Hong Kong dollars. The Hong Kong share registrar and transfer office is Tricor Investor Services Limited. No change will be made to the Chinese and English stock short names of the Company, the existing share certificates, board lot size, trading currency and share registrar of the Shares in connection with the Transfer of Listing.

SHARE OPTION SCHEMES

The Share Option Schemes were adopted by resolutions of the then sole Shareholder on 1 August 2012, for the purpose of recognising and motivating the contribution of eligible employees and any advisers or consultants and providing incentives for them, so as to help the Company in retaining its existing employees and recruiting additional employees and providing them with a direct economic interest in attaining the long term business objectives of the Company.

The Shares issued and to be issued upon exercise of options which may be granted pursuant to the Share Option Schemes will be listed on the Main Board.

(A) Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was terminated on 23 August 2012, being the day immediately preceding the date on which the Shares are listed on GEM. Pursuant to the Pre-IPO Share Option Scheme, no further options shall be granted upon termination but in respect of all options which have been granted but not yet exercised, the provisions of the Pre-IPO Share Option Scheme shall remain in force and effect in all other respects.

As at the date of this announcement, outstanding options granted pursuant to the Pre-IPO Share Option Scheme carrying rights to subscribe for a total of 66,389,600 Shares remain unexercised and the details of such outstanding share options are as follows:

Date of grant	Grantee	Number of Shares to be issued upon the exercise of outstanding options <i>(Note 1)</i>	Exercise price per Share <i>(HK\$)</i> <i>(Note 1)</i>	Exercise period
1 August 2012	Wong Chun Chau	28,915,200	0.144	<i>Note 2</i>
1 August 2012	Kwok Yin Ning	19,008,000	0.144	<i>Note 2</i>
1 August 2012	A Consultant	13,824,000	0.181	<i>Note 3</i>
1 August 2012	Employees	4,642,400	0.181	<i>Note 4</i>
Total		<u>66,389,600</u>		

Note:

- Number of share options outstanding and exercise price per Share had been adjusted as a result of the 2013 Bonus Issue and the 2014 Bonus Issue. Please refer to the relevant announcements of the Company published on 10 July 2013 and 25 July 2014 respectively.
- (i) Half of such share options are exercisable after the expiry of 6 months from the date of grant, and (ii) outstanding share options up to all such share options are exercisable after the expiry of 18 months from the date of grant. In any event no option can be exercised after the expiry of 120 months from the date of grant.

3. All such share options are exercisable after the expiry of 9 months but not later than the end of 120 months from the date of grant.
4. (i) One-third of such share options are exercisable after the expiry of 8 months from the date of grant, (ii) outstanding share options up to two-thirds of all such share options are exercisable after the expiry of 20 months from the date of grant, and (iii) outstanding share options up to all such share options are exercisable after the expiry of 32 months from the date of grant. In any event no option can be exercised after the expiry of 120 months from the date of grant.

(B) Share Option Scheme

The Share Option Scheme commenced on 24 August 2012, being the date on which it became unconditional, and shall remain valid and effective until the tenth anniversary of such date, i.e. on 23 August 2022. Pursuant to the Share Option Scheme, after such period, no further options will be granted but in respect of all options which have been granted but not yet exercised, the provisions of the Share Option Scheme shall remain in force and effect in all other respects. As at the date of this announcement, the Share Option Scheme remains effective and is implemented in full compliance with the requirements of Chapter 17 of the Listing Rules. Hence, the Share Option Scheme will remain effective upon the Transfer of Listing.

As at the date of this announcement, outstanding options granted pursuant to the Share Option Scheme carrying rights to subscribe for a total of 34,180,000 Shares remains unexercised and the details of the outstanding share options are as follows:

Date of grant	Grantee	Number of Shares to be issued upon the exercise of outstanding share options	Exercise price per Share (HK\$)	Exercise period
13 August 2013	Wong Chun Chau	14,700,000 (Note 1)	0.34 (Note 1)	Note 2
14 August 2014	Wong Chun Chau	6,000,000	0.218	Note 2
13 August 2014	Kwok Yin Ning	13,000,000	0.226	Note 2
13 August 2014	An employee	480,000	0.226	Note 2
Total		34,180,000		

Note:

1. Number of share options outstanding and exercise price per Share had been adjusted as a result of the 2014 Bonus Issue. Please refer to the relevant announcement of the Company released on 25 July 2014.
2. All such share options are exercisable within 24 months commencing from the date of grant

Pursuant to the Share Option Scheme and as at the date of this announcement, the Company may grant additional share options carrying rights to subscribe for up to a total of 145,697,600 Shares during the remaining term of the Share Option Scheme.

PUBLIC FLOAT

The Directors confirm that approximately 45.8% of the total issued share capital of the Company was held by the public (as defined in the Listing Rules) as at the Latest Practicable Date. Accordingly the minimum 25% public float requirement has been maintained in compliance with Rule 8.08 of the Listing Rules.

Save for (i) the outstanding share options carrying rights to subscribe for a total of 66,389,600 Shares previously granted but not yet exercised under the Pre-IPO Share Option Scheme; (ii) the outstanding share options carrying rights to subscribe for a total of 34,180,000 Shares previously granted but not yet exercised under the Share Option Scheme; and (iii) the 145,697,600 Shares which may be issued upon the exercise of any options which may be granted but have not yet been granted under the Share Option Scheme and/or up to a maximum of 150,000,000 Shares which may be issued upon exercise of the remaining Warrants, the Company does not have any other options, warrants or similar rights or convertible equity securities in issue as at the Latest Practicable Date.

COMPETING BUSINESS

As at the date of this announcement, none of the Directors or controlling Shareholders or their respective associates has any interest in a business which competes or may compete, either directly or indirectly, with the business of the Group pursuant to Rule 9A.09(10) of the Listing Rules.

GENERAL MANDATES TO ISSUE AND REPURCHASE SHARES

Pursuant to Rule 9A.12 of the Listing Rules, the general mandates granted to the Directors to allot and issue new Shares and repurchase Shares by the Shareholders on 18 July 2014 will continue to be valid and remain in effect until the earliest of:

- (a) the conclusion of the next annual general meeting of the Company;
- (b) the expiration of the period within which the next annual general meeting of the Company is required by law or the Articles to be held; and
- (c) its revocation or variation by an ordinary resolution of the Shareholders in a general meeting.

BIOGRAPHICAL INFORMATION OF DIRECTORS

The Company discloses the biographical information of each Director as follows:

Executive Directors

Mr. WONG Chun Chau (黃振宙), aged 58, was appointed as an executive Director on 31 March 2011 and was designated as the Chairman of the Company on 1 August 2012. Mr. Wong has more than 30 years' experience in the field of fur skin trading and management. Mr. Wong graduated with high honour from Clemson University, South Carolina, U.S.A. in 1977 with a Bachelor of Science degree in Chemical Engineering. He also attended a special training course in Copenhagen, Denmark, in 1981, which was about fur sorting and auction procedure, and acquired in-depth knowledge and skills on sorting raw fur materials, inspection of show-lots and compilation of catalogues, sales procedures and invoicing, etc. He is responsible for formulating and monitoring the Group's overall strategic plan and development.

Mr. Wong was a director of the Hong Kong Fur Federation from 1987 to 2006 and served as a director in its Skin Dealers' Committee from 1993 to 2000 and from 2003 to 2006, Overseas Affairs Committee from 1993 to 2006 and China & Local Promotion Committee from 2001 to 2006 whereas he was the director-in-charge of the Skin Dealers' Committee from 1995 to 1998.

As at the Latest Practicable Date, Mr. Wong was beneficially interested in 23,616,000 Shares and options carrying rights to subscribe for 49,615,200 Shares and was deemed to be interested in 1,044,360,000 Shares held by Trader Global Investments Limited, which is wholly and beneficially owned by Mr. Wong, within the meaning of Part XV of the SFO.

The emoluments of Mr. Wong are determined by the Remuneration Committee according to the remuneration policy of the Company and by reference to market terms, seniority, his experiences, duties and responsibilities within the Group. Mr. Wong's emoluments for the year ended 31 March 2014 were HK\$1,041,200. Mr. Wong has entered into a service contract with the Company for a period of three years commencing from 1 August 2012. Under the service contract, Mr. Wong is entitled to a basic annual remuneration of HK\$879,600.

Ms. KWOK Yin Ning (郭燕寧), aged 58, was appointed as an executive Director on 31 March 2011 and was designated as the Chief Executive Officer of the Company on 1 August 2012. She has been working in the fur industry for more than 29 years and with 17 years of managerial experience. She is responsible for the Group's corporate management and strategic planning.

Ms. Kwok attained a diploma on Management Studies in 1995 which was jointly awarded by the Hong Kong Polytechnic University and the Hong Kong Management Association.

As at the Latest Practicable Date, Ms. Kwok was beneficially interested in 15,552,000 Shares and options carrying rights to subscribe for 32,008,000 Shares within the meaning of Part XV of the SFO.

The emoluments of Ms. Kwok are determined by the Remuneration Committee according to the remuneration policy of the Company and by reference to market terms, seniority, her experiences, duties and responsibilities within the Group. Ms. Kwok's emoluments for the year ended 31 March 2014 were HK\$785,000. Ms. Kwok has entered into a service contract with the Company for a period of three years commencing from 1 August 2012. Under the service contract, Ms. Kwok is entitled to a basic annual remuneration of HK\$660,000.

Independent Non-Executive Directors

Mr. ANG Wing Fung (洪榮鋒), aged 42, became an independent non-executive Director on 1 August 2012. Mr. Ang is an executive director of Inno-Tech Holdings Limited (Stock Code: 8202) and the Company Secretary and Chief Financial Controller of China Fortune Investments (Holding) Limited (Stock Code: 8116), both companies are listed on GEM. Mr. Ang attained a Bachelor's degree of Commerce in Accounting and Finance from the University of New South Wales, Australia in 1999. He further obtained a master degree in Business Administration (Executive) in 2010 from the City University of Hong Kong. He is an associate member of HKICPA, a qualified member of CPA Australia and an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators. He also has more than 4 years' experience in an international accounting firm.

As at the Latest Practicable Date, Mr. Ang was not interested in any Shares within the meaning of Part XV of the SFO.

The emoluments of Mr. Ang are determined by the Remuneration Committee according to the remuneration policy of the Company and by reference to market terms, seniority, his experiences, duties and responsibilities within the Group. Mr. Ang's emoluments for the year ended 31 March 2014 were HK\$132,000. Mr. Ang has signed an appointment letter with the Company for a period of three years commencing from 1 August 2012. Under the appointment letter, Mr. Ang is entitled to a basic annual remuneration of HK\$132,000.

Mr. TANG Tat Chi (鄧達智), aged 59, became an independent non-executive Director on 1 August 2012. Mr. Tang is the founder and a director of W. Tang Company Limited, a company established in 1984 and engaged in the business of fashion design. Before starting his own company, he had worked as a fashion designer at YGM Apparel Limited from September 1981 to April 1984.

Mr. Tang obtained a Bachelor of Arts degree in 1978 from the University of Guelph, Ontario, Canada. He also served on the Committee on the Promotion of Civic Education, which is a non-statutory committee in Hong Kong tasked with the promotion of civic education outside schools, from 2003 to 2005. Mr. Tang has more than 20 years of experience in the field of fashion design.

As at the Latest Practicable Date, Mr. Tang was not interested in any Shares within the meaning of Part XV of the SFO.

The emoluments of Mr. Tang are determined by the Remuneration Committee according to the remuneration policy of the Company and by reference to market terms, seniority, his experiences, duties and responsibilities within the Group. Mr. Tang's emoluments for the year ended 31 March 2014 were HK\$132,000. Mr. Tang has signed an appointment letter with the Company for a period of three years commencing from 1 August 2012. Under the appointment letter, Mr. Tang is entitled to a basic annual remuneration of HK\$132,000.

Mr. Jean-pierre PHILIPPE, aged 55, became an independent non-executive Director on 1 August 2012. Mr. Philippe has held the position as chief executive officer in Uniglory Industrial Limited from 1989 to 1997. Uniglory Industrial Limited is a company incorporated in Hong Kong which is engaged in the business of consumer electronic products, with manufacturing in China and for distribution in Europe.

As at the Latest Practicable Date, Mr. Philippe was beneficially interested in 1,600,000 Shares and was deemed to be interested in 900,000 Shares held jointly with another person and 1,944,000 Shares held by Aglades Investment Pte Ltd, which is wholly and beneficially owned by Mr. Philippe, within the meaning of Part XV of the SFO.

The emoluments of Mr. Philippe are determined by the Remuneration Committee according to the remuneration policy of the Company and by reference to market terms, seniority, his experiences, duties and responsibilities within the Group. Mr. Philippe's emoluments for the year ended 31 March 2014 were HK\$132,000. Mr. Philippe has signed an appointment letter with the Company for a period of three years commencing from 1 August 2012. Under the appointment letter, Mr. Philippe is entitled to a basic annual remuneration of HK\$132,000.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors (i) had any other major appointments and professional qualifications; (ii) had any other interest in the Shares within the meaning of Part XV of the SFO, and the Board is not aware of any other information relating to the Directors which needs to be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

REGULAR PUBLICATION OF RESULTS

Upon the Transfer of Listing, the Company will cease the practice of quarterly reporting of financial results and will follow the relevant requirements of the Listing Rules which include publishing its interim results and annual results within two months and three months from the end of the relevant periods or financial year ends, respectively. The Board is of the view that the investors and Shareholders will continue to have access to relevant information on the Company following the reporting requirements under the Listing Rules.

COMPLIANCE WITH THE LISTING RULES

The Company has fulfilled all pre-conditions for a transfer of listing under Rule 9A.02 of the Listing Rules.

BUSINESS MODEL

At the time of listing in August 2012, the Group was principally engaged in the trading of fur skins of foxes and minks. Since then, the Group has been actively exploring for business opportunities and has entered into various acquisitions in order to diversify its businesses. As at the date of this announcement, mink farming and fur skin brokerage are also the principal businesses of the Group in addition to trading of fur skins, which continues to be the largest business segment of the Group.

The Group started brokerage business in September 2012 by acting as a fur skin purchasing broker for customers and earned buying commission. Kopenhagen Fur has confirmed in writing that it is an industry norm for buyers who purchase fur skins in the auction house as agents of their customers to provide loans or advancements for their customers. Kopenhagen Fur is a cooperative society and is owned and managed by Danish Fur Breeders' Association which represents the Danish fur breeders in Denmark. The Directors confirmed that as at the date of this announcement, the Group holds less than 1% of the shareholding interest in Kopenhagen Fur; and the transactions between the Group and Kopenhagen Fur would not constitute connected transactions of the Company as defined under the Listing Rules. On 15 March 2013, UKF (Denmark) A/S, a member of the Group, completed the acquisitions of two mink farms in Denmark from two independent farm owners. This marked the upstream expansion of the business of the Group and provided an additional source for the procurement of fur skins for the Group.

On 13 May 2013, the Group completed the acquisition of the entire issued capital of Loyal Speed; and thereafter, fur skin brokerage became one of the principal businesses of the Group. 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 skin brokerage customers for settlement of their purchases of fur skins from the 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.

In May 2013, UKF (Denmark) A/S acquired a mink farm located in Denmark from an independent farm owner. In November 2013 and December 2013 respectively, it acquired two more mink farms located in Denmark.

The background information of the top five customers in each business segment of the Group for the three years ended 31 March 2014 is set out as below:

For the year ended 31 March 2012

	Location	Business nature	Year in which business relationship commenced	Amount of sales (Approx. HK\$'000)	% of total turnover of the Group (Approx.)
Trading of fur skins					
Customer A	PRC	Fur distributor and fur buying agent	2009	55,786	26.0%
Customer B	PRC	Fur distributor	2009	52,078	24.3%
Customer C	PRC	Fur distributor and fur garment manufacturer	2009	36,223	16.9%
Customer D	Finland	Fur auction house	2009	25,039	11.7%
Customer E	Denmark	Fur auction house	2009	14,048	6.6%

For the year ended 31 March 2013

	Location	Business nature	Year in which business relationship commenced	Amount of sales (Approx. HK\$'000)	% of total turnover of the Group (Approx.)
Trading of fur skins					
Customer A	PRC	Fur distributor and fur buying agent	2009	84,483	28.4%
Customer B	PRC	Fur distributor	2009	68,473	23.0%
Customer C	PRC	Fur distributor and fur garment manufacturer	2009	43,504	14.6%
Customer F	PRC	Fur distributor and equipment	2009	22,443	7.5%
Customer D	Finland	Fur auction house	2009	19,563	6.6%

For the year ended 31 March 2014

	Location	Business nature	Year in which business relationship commenced	Amount of sales (Approx. HK\$'000)	% of total turnover of the Group (Approx.)
Trading of fur skins					
Customer B	PRC	Fur distributor	2009	86,842	28.8%
Customer A	PRC	Fur distributor and fur buying agent	2009	85,881	28.5%
Customer C	PRC	Fur distributor and fur garment manufacturer	2009	57,593	19.1%
Customer G	PRC	Fur garment trader and fur garment manufacturer	2009	14,886	4.9%
Customer D	Finland	Fur auction house	2009	9,434	3.1%
Mink farming					
Customer E	Denmark	Fur auction house	2009	7,508	2.5%
Fur skin brokerage					
Customer H	Hong Kong	Fur agent	2013	14,825	4.9%
Customer I	Hong Kong	Fur agent	2013	7,975	2.6%

Management of operations, changes in funding requirements, risk profile and regulatory compliance for the mink farming and fur skin brokerage businesses

Mink farming

The Chief Executive Officer (the “CEO”) of UKF (Denmark) A/S has extensive experience in farm management and operation. On each of the five mink farms of the Group, there is a Danish manager and at least one to two assistants to monitor the daily operation. Telephone conferences between Mr. Wong Chun Chau, the executive Director, and the CEO of UKF (Denmark) A/S are held and emails reporting the operation of the mink farms are sent to the management of the Group to monitor the mink farming business and operation. Mr. Wong travels several times in a year to Denmark to have meetings with the management team of UKF (Denmark) A/S.

Funding for operating the mink farming business of the Group is mainly sourced by the advances from Copenhagen Fur, which amounted to nil and approximately HK\$20.3 million for the two years ended 31 March 2014 respectively, bank borrowings and internal resources. There were four instalments of advances made to the Group from Copenhagen Fur in June, July, August and September 2013 respectively. The advances were unsecured and bore varying interest rates determined with reference to the prevailing lending rates of banks in Denmark. The Directors confirmed that such advances were fully repaid by the Group at maturity in May 2014. The purpose of such funding arrangement was to facilitate the working capital of the Group for breeding of minks on the mink farms.

Permits obtained for mink farming business

The Group has obtained valid permissions to operate the mink farms, and has obtained relevant environmental permits issued by the respective municipality or county for the expansion of breeding capacity of the mink farms up to a specified number of breeding animals. The Directors confirmed that all permissions remained effective and in force as at the date of this announcement. Pursuant to the advice from the Group's Danish legal adviser, save for the aforesaid permissions, no further licences, rights or permits are required for the Group to operate a mink farm. In order to ensure the number of breeders on each farm will not exceed the permitted breeding capacity, management team of the Group engages in the discussions from time to time to determine the number of breeders to be kept in the season. Thereafter, farm managers or staff in each farm will sort and count the breeders according to the instruction of the management and prepare a breeder list which shows the type and number of mink breeders for each farm. The breeder list will be reviewed by the CEO of UKF (Denmark) A/S who will check against the number of breeders allowed under the respective permit. Then, the management will approve the breeder list.

Protection of mink welfare

The Group confirmed that it has implemented a set of procedures to protect the welfare of minks in its farms including the followings:—

- the managers or their assistants stationed in the mink farms take steps to comply with the relevant Danish legislative provisions and the *Code of Practice for the Care and Health of Farmed Mink, Fitch and Fox in Europe* issued by the European Fur Breeders' Association. For example, they arrange vaccination for the minks on each of the Group's farm and take extra care for sick animals at a quarantined area or at hospital in farms. Farms of the Group are equipped with alarm systems. Minks are pelted at a professional pelting centre approved by Copenhagen Fur. Farm managers record incidents at the farms on daily log book. Where any issues relating to compliance arises, the farm managers report and discuss such issues with the CEO of UKF (Denmark) A/S in the monthly meeting. The CEO of UKF (Denmark) A/S also inspected the mink farms every week to ensure the minks are raised in healthy condition.
- all mink farms of the Group are subject to annual statutory veterinarian visits. According to management of the Group, veterinarians from the Danish government authority pay visits to the farms of the Group at least twice a year. The visits involve a routine inspection to identify any health or welfare issues on the farms. The relevant Danish authorities are responsible for checking that the legislation in relation to animal welfare is observed at Danish fur farms. In particular, The Danish Veterinary and Food Administration also makes regular inspections of farm welfare. Apart from the statutory visits, according to the management of the Company, the mink farms of the Group are inspected twice a year by Copenhagen Fur. The Directors confirmed that the Group has not been warned or penalised, or informed of any non-compliance relating to animal welfare by any of the relevant authorities and/or Copenhagen Fur.

Environmental protection

To conserve the environment, the Group sells the animal fats from minks in the production of bio-diesel. Other by-products of mink farming are sold for the production of fertilisers. It also uses by-products from the fish and meat industries as animal feeds for minks. Management of the Group advised that the relevant Danish government authority may pay environmental control visits to the farms every year without giving prior notice to the Group. The Directors confirmed that the environmental protection measures adopted by the mink farms of the Group have complied with the relevant legislation provisions in all material aspects and there were no circumstances that would lead to administrative penalties in this regard.

Based on the above, the Directors confirmed that the Group's systems and policies on safeguarding mink welfare and environmental protection are in place. Mink welfare of the Group's mink farms is monitored by the relevant Danish authorities and experienced personnel and management of UKF (Denmark) A/S to benchmark against the relevant Danish legislation provisions and industry practice governing mink welfare; and environmental protection measures adopted by the mink farms of the Group are in line with the industry standard.

Fur skin brokerage

Mr. Wong and a sales manager of the Group together with the existing staff of Loyal Speed are responsible for customer relationship and auction bidding in the auctions. A sales manager of Loyal Speed is responsible for arranging buyers to attend auctions and receiving orders in China. An existing director and a staff member of Loyal Speed are responsible for bank financing and book-keeping respectively.

Funding for operation of the fur brokerage and financing services business of the Group is mainly supported by auction financing, bank borrowings and internal resources. Auction financing refers to the credit facilities offered by Copenhagen Fur through its subsidiary, allowing selected customers of Copenhagen Fur to borrow up to 65% of the market value of the fur skins purchased through its auctions. Pursuant to the terms of such financing, the Group is required to repay the advances when dressing of relevant fur skins is completed, subject to a maximum maturity of 60 days. The financings were unsecured and bore interest rate of 8.5% per annum plus handling fee of US\$500 and 0.75% of the invoiced amount of the fur purchased. Auction financing was used by the Group during the initial period after its acquisition of Loyal Speed when it did not have sufficient bank facilities or other sources of funding for the fur skin brokerage business. As the Group obtains additional bank facilities at lower finance cost, it has not used any auction financing from Copenhagen Fur since July 2013.

The Group requires its customers to deposit at least 30% of the purchase price after 21 days of the auctions. Customers' purchases from the auctions would serve as collaterals to the Group and such purchases would not be delivered to customers until the outstanding balance with the Group has been fully settled. To the best knowledge of the Directors, the respective dressing factories have maintained insurance coverage for fur skins.

Under the Money Lenders Ordinance (Cap 163 Laws of Hong Kong), a person whose business (whether or not he carries on any other business) is that of making loans is required to obtain a money lender's licence. However, the legal adviser of the vendor of Loyal Speed and the Group's Hong Kong legal adviser had both opined that since the business model of Loyal Speed involves making loans or advancements to its customers for the purpose of assisting them to import fur skins to Hong Kong, thus such loans or advancements are

exempted under Part 2 of Schedule 1 of the Money Lenders Ordinance (Cap 163 Laws of Hong Kong). Accordingly, Loyal Speed is not required to obtain any money lender licence or to fulfil any capital requirements for the provision of finance for its fur skin customers. Based on the above advice, the Directors considered that it was not necessary for Loyal Speed to obtain, and Loyal Speed has not obtained any money lending licence as at the date of this announcement.

FINANCIAL INFORMATION OF THE GROUP

The table below sets forth the selected information of the Group's consolidated financial information for the three years ended 31 March 2014 and the nine months ended 31 December 2014:

	For the year ended 31 March			For the nine months ended
	2012 (Audited) HK\$	2013 (Audited) HK\$	2014 (Audited) HK\$	31 December 2014 (Unaudited) HK\$
Turnover				
Trading of fur skins	214,552,947	297,524,230	271,329,589	176,586,682
Fur skin brokerage and financing services	—	—	22,799,910	22,179,745
Mink farming	—	—	7,507,690	13,744,461
Total	<u>214,552,947</u>	<u>297,524,230</u>	<u>301,637,189</u>	<u>212,510,888</u>
Other Income	191,869	298,943	4,195,654	738,327
Profit for the year/period and attributable to shareholders of the Company	16,556,266	27,125,702	35,841,267	39,739,021
Other comprehensive expenses				
Change in fair value of available-for-sale investment	—	—	—	(1,832,302) (Note)
Exchange difference on translation of overseas operations		(7,722)	(105,530)	95,170
Total comprehensive income for the year/period and attributable to the shareholders of the Company	<u>16,556,266</u>	<u>27,117,980</u>	<u>35,735,737</u>	<u>38,001,889</u>
Change in fair value less costs to sell of biological assets	0	199,872	15,491,335	24,511,054
Profit attributable to shareholders (after excluding change in fair value less costs to sell of biological assets) of the Company	<u>16,556,266</u>	<u>26,925,830</u>	<u>20,349,932</u>	<u>15,227,967</u>

Note: As at 31 December 2014, the insurance contract for a life insurance plan with investment elements relating to a key management personnel of the Group was classified as an available-for-sale investment.

After initial recognition, available-for-sale investment is subsequently measure at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve. The fair value of key management insurance is based on account value less surrender charge quoted by the vendor.

Gross profit margin

The Group recorded a gross profit margin of approximately 16.0% for the year ended 31 March 2013, which was similar to that of approximately 16.2% for the year ended 31 March 2012. The Group recorded a gross profit margin of approximately 19.8% for the year ended 31 March 2014. The increase in gross profit margin was primarily due to the higher gross profit and gross profit margin generated from the newly acquired fur skin brokerage and relevant financing services. The gross profit margin of the Group rose further to approximately 26.4% for the nine months ended 31 December 2014. The increase in gross profit margin was primarily due to (i) the Group purchased relatively large number of fur skins at attractive prices in June 2014 and fur skins prices started picking up since June 2014; (ii) turnover from fur skin brokerage service and financing for the nine months ended 31 December 2014 was approximately HK\$22.2 million, which achieved almost the turnover from this segment for the entire year ended 31 March 2014; and (iii) increase in turnover from mink farming attributable to the harvest in December 2013 and the fur skin prices recovery since June 2014.

The table below sets forth the operating segments results of the Group for the three years ended 31 March 2014:

	For the year ended 31 March		
	2012 <i>HK\$</i>	2013 <i>HK\$</i>	2014 <i>HK\$</i>
Trading of fur skins	34,821,265	47,725,406	39,540,058
Fur skin brokerage and financing services	—	—	22,799,910
Mink farming	—	—	(2,694,824)
Total from operating segments	<u>34,821,265</u>	<u>47,725,406</u>	<u>59,645,144</u>

The Company confirmed that there are no unfavourable trends or developments which may have a material adverse impact on the Group's business and financial performance subsequent to 31 December 2014.

Trading of fur skins

The Group has carried on trading of fur skins as principal business activity since the commencement of its business operation, which contributed 100% of the turnover of the Group for the two years ended 31 March 2013. Turnover from trading of fur skins of the Group increased by approximately 38.6% to approximately HK\$297.5 million for the year ended 31 March 2013. The increase was mainly attributable to the strong demand of fur skins in PRC and Russia and the resultant increase in sales volume of fur skins. The Group had also benefited from the increases in auction prices and achieved an approximately 37.1% increase in profit for its fur skins trading business for the year ended 31 March 2013.

Turnover from trading of fur skins of the Group went down by approximately 8.8% to approximately HK\$271.3 million for the year ended 31 March 2014 as a result of the decrease in fur skin prices. Although fur skin prices remained high during the eight-month period from April to November 2013, the large volume of production of mink skins from China, Greece and Eastern Europe drove down the prices of mink skins since the December 2013 auction held in Copenhagen (which showed signs of recovery in the June 2014 auction). The Group anticipated a decrease in fur skins prices for the rest of the year ended 31 March 2014 and sold most of the inventory before December 2013 to realise its gain. Nevertheless, the profit derived from fur skins trading business of the Group for the year ended 31 March 2014 still decreased by approximately 17.2%; and the profit margin dropped slightly from approximately 16.0% to approximately 14.6%.

Turnover from trading of fur skins of the Group decreased slightly by approximately 0.4% to approximately HK\$176.6 million for the nine months ended 31 December 2014 from approximately HK\$177.3 million for the corresponding period in 2013. Although the number of fur skins sold in the trading segment of the Group increased for the nine months ended 31 December 2014 as compared with the corresponding period in 2013, turnover decreased slightly mainly due to the decrease in average selling price of fur skins.

Fur skin brokerage

On 13 May 2013, the Group completed the acquisition of the entire issued share capital of Loyal Speed. Please refer to the paragraphs under “Business Model” of this announcement for details. Immediately before the acquisition, Loyal Speed was wholly owned by the vendor, which in turn, was owned as to 92% by Mr. Ching Kwok Ho, Samuel and 8% by Mr. Wong Chun Chau, the executive Director. Loyal Speed was incorporated in the British Virgin Islands and it was acquired by Cheer Dragon International Limited (a company incorporated in the British Virgin Islands which was 92% and 8% held by Mr. Ching and Mr. Wong respectively) on 28 January 2013 in consideration of US\$1 per share from Mr. Ching and Mr. Wong respectively. The original cost for the purchase of the 8% of the issued share capital of Loyal Speed by Mr. Wong on 20 May 2011 was US\$8. Loyal Speed obtained buyer’s numbers issued by Copenhagen Fur and Saga Furs, both in December 2010. The buyer’s numbers are not subject to renewal or expiration. Holders of buyer’s numbers are entitled to use the buyer’s numbers to bid and make purchases in the relevant auctions so long as they comply with the conditions of sale imposed by the relevant auction houses from time to time.

Currently, Mr. Ching is a director of Loyal Speed. To the best of the Directors’ knowledge, information and belief and having made all reasonable enquiries, save for Mr. Ching’s directorship in Loyal Speed and Mr. Wong’s 8% shareholding interest in the vendor, Mr. Ching and/or the vendor has no past or present relationship with the Company, its subsidiaries, shareholders, directors, senior management or any of their respective associates. Mr. Ching is also a partner of King & Company, a firm of solicitors in Hong Kong; and he has been the legal consultant of United Kingdom Fur Co. Ltd. (or its predecessor), a company which Mr. Wong and his family had shareholding interests, since 1986.

The net profit (after tax and deducting extraordinary items) of Loyal Speed as shown in the audited financial statements for the year ended 31 March 2013 and 2014 were approximately HK\$14.9 million and HK\$14.2 million respectively. Accordingly, the 2013 Guaranteed Profit and the 2014 Guaranteed Profit have been achieved. The Directors considered that businesses of Loyal Speed would complement the Group’s fur skin trading business and enlarge its customer base which would be beneficial to its long term growth. The Directors believe that the Group could achieve a faster expansion of its customer base through the acquisition of Loyal Speed which was already operating a profitable business as compared to the time required to establish its own fur skins brokerage business and related financing services from scratch and achieving similar level of business and number of customers as Loyal Speed. As the Group was aware of Loyal Speed’s high-quality customer base, it had not considered other acquisition targets nor conducted negotiations with other fur traders engaged in the similar businesses of Loyal Speed. The Directors also considered that the 2013 Guaranteed Profit and 2014 Guaranteed Profit were in the interest of the Group.

The fur skin brokerage and financing services business arising from Loyal Speed generated turnover of approximately HK\$22.8 million and approximately HK\$22.2 million to the Group for the year ended 31 March 2014 and the nine months ended 31 December 2014 respectively. Pursuant to the Brokerage and Financing Agreements, Loyal Speed has provided the fur skin brokerage customers with the revolving loan facilities. Loyal Speed may upon request of customer advance up to 70% of the fur price to them to finance their purchase of fur skins. The customers shall in any event repay each advance in full within 180 days. Whilst there is no requirement for the customers to make full payment for all previous advances prior to drawing down another loan, the outstanding amount of all loans made to the two customers shall not exceed HK\$110 million and HK\$40 million respectively. The Company advised that loan receivables of approximately HK\$106.7 million as at 31 March 2014 have been fully settled subsequently. Loan receivables as at the Latest Practicable Date amounted to approximately HK\$94.0 million and there were no overdue for such loan receivables.

Pursuant to the Brokerage and Financing Agreements, the fur skin brokerage customers shall repay the advance from Loyal Speed in full before taking delivery of the relevant fur skins and they agree that Loyal Speed shall have a lien over the relevant fur skins before full repayment.

Loyal Speed would request certain dressing companies to process the pelts from time to time upon instruction of the relevant fur skin brokerage customers. The dressing companies are aware of the existence of the lien over the pelts in favour of Loyal Speed and act upon the sole instruction of Loyal Speed. The dressing companies have never delivered, and will not deliver the pelts (whether processed or not) to the fur skin brokerage customers without Loyal Speed's prior instruction. The dressing companies have also kept and/or handled the pelts properly and/or kept them in good condition.

In order to document the mutual understanding on the above practice between Loyal Speed and the dressing companies, in October 2014, Loyal Speed and each of the dressing companies entered into a Pelt Retention Deed:

- (i) to confirm, among other things, the relationship and understanding between Loyal Speed and the dressing companies as described above;
- (ii) each of the dressing companies has irrevocably confirmed and undertaken to Loyal Speed:
 - (a) that they acknowledge the existence of a lien over the pelts in favour of Loyal Speed;
 - (b) to provide necessary assistance for Loyal Speed in exercising its lien over the pelts;
 - (c) that they acknowledge and agree (i) to store and handle the processed pelts properly and (ii) to store the unprocessed pelts in the condition as they receive it; and
 - (d) not to release or deliver the pelts to the fur skin brokerage customers without prior instruction from Loyal Speed;

If the dressing companies failed to comply with the undertakings, they will be liable to indemnify Loyal Speed against any liability, loss, expenses and fees (including legal expenses) sustained by Loyal Speed as a result of the breach. Based on the opinion of the Group's Hong Kong legal adviser, the Directors consider that each of the Pelt Retention Deeds is legally binding and enforceable against the parties.

The two dressing companies which have entered into Pelt Retention Deed with the Group were incorporated and have their registered address in Hong Kong and the PRC respectively. The Directors confirmed that both dressing companies have their factories located in Shenzhen, the PRC. The principal business activities of both companies are dressing and processing of fur skins. One of them has over two years' business relationship with the Group and the other has over six years' business relationship with the Group. To the best knowledge of the Directors after having made reasonable enquiry, the dressing companies do not have any direct or indirect relationship between each other; and each of them does not have any direct or indirect relationship with the Group and/or its connected persons. Staff of the Group pays monthly visits to the factories of the two dressing companies in Shenzhen, the PRC to ensure the collaterals are kept in good conditions.

Mink farming

The Group entered into agreements to acquire two mink farms in March 2013 and three mink farms in May 2013, November 2013 and December 2013 respectively. These mink farms are all located in Denmark. The first three mink farms acquired by the Group in aggregate produced approximately 55,000 fur skins in December 2013; and over 15,000 female mink breeders were selected and kept for breeding. The other two mink farms had not contributed any profit for the year ended 31 March 2014 and substantial funds were spent for the respective acquisitions to settle professional fees and setup costs. During the preceding financial year, one third of the Group's mink breeders on the farms were still nurtured and not pelted and sold. As a whole, the Group's mink farming business recorded a loss of approximately HK\$2.7 million for the year ended 31 March 2014. It is expected that after the minks are pelted and sold, the Group will be able to generate profits in the current financial year.

Turnover from mink farming for the nine months ended 31 December 2014 amounted to approximately HK\$13.7 million which was even higher than the turnover from mink farming of approximately HK\$7.5 million for the year ended 31 March 2014. Turnover from mink farming of the Group for the year ended 31 March 2014 and the nine months ended 31 December 2014 was generated from the two mink farms acquired in March 2013 and the mink farm acquired in May 2013. Harvest of minks from these three farms took place in December 2013. According to the management of the Group, much smaller quantities of minks from the mink farms were sold in the auctions held in December 2013 and February 2014 and more sales were conducted in the subsequent three auctions held in the year 2014 in accordance with the Group's business plan and industry practice that less mink fur skins were put for sale in the December 2013 and February 2014 auctions of Copenhagen Fur. To the best knowledge of the Directors, this is because harvest of mink fur skins normally takes place around year ends and time for sorting and matching fur skins would be required before they can be put for sale in the auctions.

Valuation of biological assets

The Group's biological assets were independently valued by Peak Vision Appraisals Limited (the "Valuer") as at 31 March 2014 (the "Valuation"). The Valuer possesses the experience of conducting valuation of biological assets for other companies listed in Hong Kong for annual accounting purposes such as hogs, plant crops and landscaping plants. The name of the signatory of the Valuation is on the list of "Approved Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in connection with Takeovers and Mergers" maintained by the Hong Kong Institute of Surveyors. According

to the Valuer, the team involved in the valuation of the Company's biological assets comprised a director, a manager and a senior analyst. The abovementioned signatory of the Valuation acted as the director of the team. He is a member of the Royal Institution of Chartered Surveyors, a member of the Hong Kong Institute of Surveyors and the Registered Professional Surveyor (General Practice). The manager is a member of HKICPA and the senior analyst is a member of CFA Institute. All three team members have performed and reviewed valuations of biological assets for companies listed on the Stock Exchange including, among others, valuation on hogs for China Solar Energy Holdings Limited (Stock Code: 155 HK); valuation on various types of plant crops for China Culiangwang Beverages Holdings Limited (Stock Code: 904 HK); and valuation on landscaping plants for Baguio Green Group Limited (Stock Code: 1397 HK).

As at 31 March 2014, the Group had 109 non-mated female minks and 114 males, which were served as breeding stock; and 14,942 mated female minks which were primarily held for further growth for the production of minks (as compared to nil non-mated female minks, 21 male minks and 5,897 mated female minks as at 31 March 2013). The fair value measurement of biological assets as at 31 March 2013 and 31 March 2014 was approximately HK\$6.0 and HK\$14.0 million respectively, representing approximately 3.5% and 5.2% of the net asset value of the Group as at 31 March 2013 and as at 31 March 2014 respectively.

The valuation technique used by the Valuer was determined after considering "HKAS 41: Agriculture" and the nature of the biological assets. The biological assets are divided into three main categories for fair value assessment (based on the stock taking on the reporting date), namely non-mated females, mated males and mated females. The Valuer advised that the Company did not have any non mating males as at the reporting date.

For non-mated females and mated males, the reference quoted price from skin auctions at Kopenhagen Fur are used to determine fair value, less related costs. This is because:

- these categories are normally skinned and sold as mink skins in a short amount of time; and
- reliable quoted market prices for skins are available.

For mated females, a Discounted Cash Flow method is applied, based on the life cycle, skin prices and rearing costs to determine fair value less costs to sell. This is because:

- the mating females produce litters and are income producing for up to three years before they are eventually skinned; and
- they do not have a market determined price in their present condition (i.e. price for alive female minks for selective breeding), therefore, under the Discounted Cash Flow method, cash flows are determined based on the estimated costs for raising kits until pelting and the estimated price for skins after pelting.

According to the Valuer, the material inputs are set out as below:

Selling price and costs

Based on the February 2014 auctions of Copenhagen Fur, the average prices for male, female and total furs were DKK408, DKK274 and DKK341 per unit respectively. The costs per unit were estimated by the Company and an independent agronomist of Copenhagen Fur who works together with a number of financial auditors in Denmark specialising in mink production. The estimated costs per unit are presented below:

	(DKK)
Feed	120
Salary	108
Other variable cost*	10
Lower value of male breeders **	30
Pelting	30
Sales fee	9
Surplus from Copenhagen Fur***	3-5%

* Other variable cost includes vaccination and veterinary fees.

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

*** Copenhagen Fur is an auction body which represents mink farmers in Denmark and is collectively owned by those farmers based on a percentage of the annual turnover for the last 3 years. Pursuant to the articles of association of Copenhagen Fur, a surplus is received by farmers in proportion to their turnover from the auction body and varies from year to year.

Life cycle

For the valuation of mating females under the Discounted Cash Flow method, the Valuer made reference to the following information regarding the life cycle of live mink:

- Mated females wean between 5-7 kits;
- 40-60% of the breeding females are retained for the next breeding season. The remainder are pelted and sold as fur;
- After the breeding season, most males and non-mated females are pelted and sold as fur;
- Breeding females have a maximum life span of 3 years; and
- Living mink have a death rate of approximately 5%.

Discount rate

An appropriate, market-based weighted average cost of capital (WACC) is used to discount the expected cash flows of the biological assets valued using the Discounted Cash Flow method.

The major inputs of the WACC calculation are as follows:

Cost of equity

(1) Risk free rate	3.23%
(2) Equity beta	0.88%
(3) Market risk premium	7.57%
(4) Country risk premium	0.00%
(5) Size premium	3.84%
Cost of equity	13.73%

* Figures above are subject to rounding

Notes:

- (1) This is the yield of US treasury government bond.
- (2) This is the adjusted beta by making reference from public listed companies with comparable business nature and operation, etc. which are sourced from Bloomberg.
- (3) Market risk premium = market rate of return – risk free rate. To derive a long-term equity risk premium, the Valuer referred to the 10 year average market rate of return for the United States, sourced from Bloomberg. A mature market equity risk premium is used since the Valuer adopted a stable long-term discount rate in the valuation; and the Valuer has adopted the average market return of the United States instead of one from developing equity markets. The country risk premium (in Note 4 below) reflects the location of operation of the mink farms and UKF (Denmark) A/S.
- (4) This is the increased risk with operating in Denmark where the risk profile is different to the market premium applied in the Valuer’s analysis, including business risk, financial risk, liquidity risk, exchange rate risk & country risk. The Valuer referred to the data and methodology derived on Damodaran Online (<http://pages.stern.nyu.edu/adamodar/>), in determining the country risk premium for Denmark.
- (5) This is the risk of small size company in 2014 based on the research conducted by Ibbotson Associates, Inc. a subsidiary of Morningstar, Inc. (<http://corporate.morningstar.com/>).

Cost of debt

The cost of debt was determined with reference to the European Central Bank (“ECB”) Rate Non-financial Corporate 1 to 5 years- Denmark which is the average interest rate of business loans to non-financial institutions. As at the effective valuation date, the ECB Rate Non-financial Corporate 1 to 5 years- Denmark was 3.64%.

WACC

Based on an industry-comparable weight of debt of 22% and weight of equity of 78%, the pretax real WACC (adjusting for tax and inflation) applied was 12.06%.

The auditors of the Company, HLM CPA Limited (“HLM”), are satisfied that the valuation technique chosen and the inputs used in the valuation technique are appropriate and reasonable.

The Directors are also satisfied that the valuation technique chosen and the inputs used in the valuation technique are appropriate and reasonable in view of (i) for non-mated females and mated males, market approach is appropriate and reasonable as the average market price of fur skins less cost can easily be assessed by making reference to the recent auction prices; (ii) for mated females, Discounted Cash Flow method is appropriate and reasonable as there is no market price for mated females which may give birth to mink puppies; and (iii) inputs used in the valuation technique including birth rate, retained percentage of breeding females, maximum life span of breeding females and death rate of live mink had been reviewed by the Directors and discussed with the Valuer.

The sensitivity analysis on changes in material inputs used in the valuation techniques provided by the Valuer is set out as below. According to the Valuer, the sensitivity analysis reflects the entire sum of biological assets including those valued by the Discount Cash Flow method and the market price method:

Changes in fair value less costs to sell	
<i>(DKK'000)</i>	
Reference price increase by 5%	+2,395
Reference price decrease by 5%	-2,395
Total costs increase by 5%	-1,942
Total costs decrease by 5%	+1,942
Discount rate increase by 1%	-149
Discount rate decrease by 1%	+149

According to the Valuer, the material inputs (as confirmed by the Directors and the Company’s independent agronomist of Copenhagen Fur based on market prices and mink farm experience) used in the fair value measurement based on the Discount Cash Flow method are:

- The expected kits per litter, gestation period, life span and seasonal timing of mink that will be birthed by the mating females;
- The estimated life span and mortality rate of mating females;
- The estimated rearing costs and selling costs (including feed, worker’s salary, veterinary fees and pelting) of the mating females and their future kits up to when they are sold as skins; and
- The estimated average selling prices for skins.

The Directors confirmed that the above components are consistent with market factors and assumptions used in the measurement.

Stock taking for biological assets

Historical yield of biological assets of the Group represents average birth rate of mink puppies which is calculated based on the number of mink puppies divided by the number of mated female minks from the internal record of the Group. The average birth rate was approximately 5.3 and 4.9 for the two years ended 31 March 2014 respectively. According to the Directors, the decrease in average birth rate for the year ended 31 March 2014 was mainly because certain breeders failed to mate as a result of the infertility from a small group of male breeders in the mating season.

Stock taking shall be performed in accordance with the stock count instruction quarterly in each farm by the farm assistant in order to verify the existence and completeness of biological assets. Stock count instruction is approved by the Chairman of the Group and delivered to all the responsible personnel. After stock taking, the Chairman shall review and compare the actual count results with the previous stock count results. Management would accept tolerable discrepancy rate of 5% for loss of biological assets, which might be resulted from counting error, death and/or loss of escape. If any variance is noted, the chief executive officer of the farms will mark the reasons for variance and comment on the report. Record of birth of biological assets shall be kept by accounting staff and reviewed by the chief executive officer of the farms. Record of pelting of biological assets shall be kept by the accounting staff and reviewed by the chief executive officer of the farms. Custody function to safeguard minks on the farms of the Group shall be performed by the farm assistants. The personnel who are responsible for the custody functions shall not be responsible for the biological assets record keeping.

Balance of biological assets shall be updated (i) when the number of puppies is confirmed by the physical stock count in breeding season; or (ii) in accordance with the delivery note from the pelting centre. Chief executive officer of the farms shall cross check with the delivery note from pelting centre and the skin receipt note from Copenhagen Fur. A copy of which shall be signed as evidence of review. Biological assets balance shown in the balance sheet shall be based on the valuation by independent valuer.

HLM advised that it performed the followings for the stock taking on the Group's biological assets:

- (i) instructed component auditor to perform stock taking on the Group's biological assets in Denmark;
- (ii) established an overall group audit strategy and developed a group audit plan in accordance with HKSA 600. HLM performed site visit in farms and stock taking on biological asset last year and has experience on stock taking on biological asset. HLM, based on their experience and professional judgment, issues expected timetable, audit instruction and questionnaire to component auditor to follow the audit instruction and allow component auditor to respond to the audit risk;
- (iii) assessed the audit risk on the existence and completeness of the biological assets and instructed the component auditor in stock taking method, sample size calculation and the time to perform stock taking based on the group audit plan;

- (iv) instructed component auditor to perform periodic stock taking on specific sample size in the five farms at balance sheet date (31 March 2014). For the stock taking not performed at balance sheet date, component auditor is instructed to provide the roll back or roll over test on the inventory movement to confirm the existence and completeness of the biological asset.

The component auditor obtained the breeder's list from the Group, which showed the type and the quantity of the minks in the farm. Each farm has one breeder's list. The component auditor compared the description of breeder's lists and stock-take lists which is the record of the actual count by the component auditor and it would reconcile the variance with the Group if any.

The component auditor verbally reported or reported in writing to HLM about the findings and conclusion of the stock taking on regular basis;

- (v) compared the description of the valuation report and the stock-take lists obtained by the component auditor. HLM will reconcile the variance (if any); and
- (vi) evaluated the component auditor's audit procedures and obtained audit evidence to assess whether sufficient and appropriate basis has been adopted for arriving the audit opinion of the Group.

Major fluctuations in financial results

Other income

Other income of the Group increased significantly from approximately HK\$0.3 million for the year ended 31 March 2013 to approximately HK\$4.2 million for the year ended 31 March 2014. This was mainly due to the increase of exchange gain from nil to approximately HK\$2.8 million and the increase of bonus and commission rebate from approximately HK\$70,000 to approximately HK\$0.8 million. The increase in exchange gain was mainly a result of the appreciation of Danish Kroners from 1.35 to 1.43 against Hong Kong dollars for transactions made by the Denmark subsidiary. Both of the two largest fur skin auction houses in Europe offer bonus and commission rebates. Copenhagen Fur offers rebates to fur skin buyers if their purchases of fur skins in an auction exceed a certain amount, while Saga Furs offers rebates to fur skin buyers if the fur skins are paid for and shipped within a certain time period from an auction. Other income decreased to approximately HK\$0.7 million for the nine months ended 31 December 2014 from approximately HK\$3.0 million for the corresponding period in 2013 mainly because of the absence of approximately HK\$1.9 million exchange gain, the decrease in sundry income by approximately HK\$0.2 million mainly due to the absence of approximately HK\$0.16 million interest income as a result of loan advancements to third part(ies); and the decrease in bonus and rebate from auction houses by approximately HK\$0.3 million mainly due to the decrease in the amount of purchases from the auction house(s).

Goodwill

The Group recorded goodwill of approximately HK\$75.4 million from the acquisition of the entire issued share capital of Loyal Speed as at 31 March 2014. On the following basis, the Directors believe that, as a result of the acquisition of Loyal Speed, profitability was enhanced and synergies would create for the Group by, for instance, extending the clientele base of the Group and offering an alternative to the existing and new customers of the Group to use the financing services provided by Loyal Speed:—

- Loyal Speed was acquired in May 2013. Within less than two years from the acquisition, the Group was able to leverage on the business activities carried on by Loyal Speed to generate additional revenue of approximately HK\$22.8 million and HK\$22.2 million, representing approximately 7.6% and 10.4% of the total turnover of the Group for the year ended 31 March 2014 and the nine months ended 31 December 2014 respectively. The Group has been cautious in accepting new customers for the fur skin brokerage and financing business in order to minimise credit risk; and it aims to maintain loan advance portfolio at a manageable size to ensure healthy cashflow for operations and the loan receivables already amounted to approximately HK\$106.7 million and HK\$129.3 million, representing approximately 22.8% and 26.3% of the total assets of the Group as at 31 March 2014 and as at 31 December 2014 respectively.
- Apart from the two fur skin brokerage customers who formed Loyal Speed's entire customer base at the time of acquisition, the Group has so far successfully solicited two new customers through referrals from the existing customers of Loyal Speed for the fur skin brokerage business. The Directors would continue to adopt stringent criteria in selecting new customers for fur skin brokerage and financing business and expect gradual expansion of such client base. The Group also retained an existing customer in its fur skin trading business (which advanced fur skin brokerage financing from the Group in September 2012 before the acquisition of Loyal Speed) in the clientele of Loyal Speed. In February 2015, the Group advanced approximately HK\$0.4 million fur skin brokerage financing to this existing customer. Such existing customer has maintained business relationship with the Group for purchasing fur skins for more than 5 years and the Group is satisfied with its credibility and repayment history.
- According to the management of the Company, its customers in fur skins trading segment purchase fur skins directly from the Group mainly because many of them do not have buyer's number to bid in the auctions. Following the acquisition of fur skin brokerage service, such customers can choose from purchasing fur skins directly from the Group or from the auctions through the Group's bid in the auctions and/or at the same time, obtain relevant brokerage financing (when the Group considered appropriate after assessing their repayment history, reputation, years of business relationship, credibility, etc.). This would provide more flexibility to the Group's customers in planning their purchases. Nevertheless, management of the Company is of the view that business performance of the fur skins trading segment of the Group is satisfactory and thus, the Group has no urgent need to explore other customers from Loyal Speed to the fur skins trading segment of the Group; and it is able to expand and develop the fur skin brokerage and financing service on a gradual pace with cautious approach on credit risk. On the other hand, the Group acquired the fur skin brokerage business and financing business of Loyal Speed for less than two years and it does not rule out the possibility that its existing fur skin brokerage customers will request to purchase fur skins directly from the trading segment of the Group in the coming future.

Based on the above, the Directors are of the view that the acquisition of Loyal Speed created immediate synergies for the Group with the two additional fur skin brokerage customers who formed Loyal Speed's customer base at the time of acquisition and generated revenue to the Group constantly. Given the flexibility that can be provided to customers with option to have the Group to bid on behalf of them in the auctions and/or to obtain relevant brokerage financing, the Directors believe that in the long run, this will benefit the Group in retaining its existing customers and attracting new customers; and yet, the Group will continue with its prudent approach and conduct assessments before granting fur skin brokerage financing to customers.

The consideration for the acquisition of Loyal Speed represented a price-to-earnings ratio of 6.5 calculated based on each of the 2013 Guaranteed Profit and the 2014 Guaranteed Profit. The price-to-earnings ratio was a result of arm's length negotiation with the vendor after taking account of the market condition, the price-to-earnings ratio of 11.4 when the Company's shares were listed in August 2012 and those of other listed companies in the PRC and overseas which engage in fur-related business. Please refer to the circular of the Company dated 19 April 2013 for details.

Discount rate of 17.19% is used in the assessment of goodwill impairment for the year ended 31 March 2014. In determining the discount rate, reference was made to a valuation report dated 9 June 2014; and such discount rate was derived by the weighted average cost of capital. For the year ended 31 March 2014, the value calculated by using the discount rate is higher than the carrying amount of Loyal Speed; accordingly, the management of the Group determined that there was no impairment for goodwill.

Inventories

Inventories decreased from approximately HK\$89.0 million as at 31 March 2013 to approximately HK\$55.3 million as at 31 March 2014 and then the increase to approximately HK\$88.9 million as at 31 December 2014. The Group expected that fur skins prices would increase and purchased more fur skins in earlier auctions of the year ended 31 March 2013; whereas it expected that fur skins prices would decrease and purchased fewer fur skins for the year ended 31 March 2014. In June 2014, fur skins prices showed sign of recovery and the Group purchased and accumulated more inventory as at 31 December 2014. Inventory of fur skins from mink farming of the Group increased over the years/period mainly because of the increase in number of mink farms, from two farms for the year ended 31 March 2013 to three farms for the year ended 31 March 2014 and further to five farms for the nine months ended 31 December 2014. This increased number of pelted skins harvested by the Group.

Trade and other receivables

Trade receivables of the Group increased by approximately 97.9% from approximately HK\$51.3 million as at 31 March 2013 to approximately HK\$101.4 million as at 31 March 2014 because relatively large amount of sales were made towards the end of the latter financial year. Approximately HK\$75.2 million of trade receivables as at 31 March 2014 was related to the sales made in the same month. Trade receivables were approximately HK\$38.9 million as at 31 December 2014. To the best knowledge of the Directors, fur garment manufacturers usually make more purchase of fur skins for production in the first half of the year. Therefore, there was lower level of trade receivables as at 31 December 2014 as compared to that as at 31 March 2014.

Auction deposit of approximately HK\$2.3 million and feed deposit for mink farming business of the Group of approximately HK\$0.4 million were included in other receivables as at 31 March 2014 whereas no such items were recorded as at 31 March 2013. Auction deposit represents bonus and commission received from the auction houses and kept in the accounts of the Group maintained with the auction houses and may be used for future purchases of fur skins. Auction deposit and feed deposit increased to approximately HK\$4.6 million and HK\$0.7 million as at 31 December 2014 respectively. Auction deposit increased mainly due to bonus and commission from the auction houses retained in the Group's accounts for future purchases of fur skins. Feed deposit increased because of more breeding minks kept during the nine months ended 31 December 2014 which grew up and consumed more feeding stuffs.

Prepayments increased largely from approximately HK\$0.4 million as at 31 March 2014 to approximately HK\$1.5 million as at 31 December 2014 mainly due to the prepayment of insurance premium for Mr. Wong Chun Chau, the executive Director, for a period covering 7 years. The insurance was purchased by the Group to fulfill a condition of bank facilities granted by a bank. Available-for-sale investment of approximately HK\$10.0 million as at 31 December 2014 represents insurance purchased to cover Mr. Wong mentioned above. The Group recorded change in fair value of available-for-sale investment of approximately HK\$1.8 million for the nine months ended 31 December 2014.

Loan receivables

During the year ended 31 March 2014, the Group offered a credit period of 180 days from the advancement to its customers of the fur skin brokerage and financing services business with the range of interest rate from 12% to 18% per annum. As at 31 March 2014, loan receivables (including loans to customers and accrued interest receivables) of the Group amounted to approximately HK\$106.7 million. The Company advised that loan receivables as at 31 March 2014 had been fully settled as at the date of this announcement and of approximately HK\$129.3 million loan receivables as at 31 December 2014, approximately HK\$73.6 million had been settled as up to the Latest Practicable Date. Loan receivables as at the Latest Practicable Date amounted to approximately HK\$94.0 million and there were no overdue for such loan receivables.

Trade and other payables

Trade payables reduced largely from approximately HK\$78.1 million as at 31 March 2013 to approximately HK\$32.1 million as at 31 March 2014 mainly because the Group expected that the decreasing trend of fur skin prices would continue and had made less purchases. Trade payables increased to approximately HK\$44.6 million as at 31 December 2014 mainly because the Group made relatively large purchase from auction house(s) in June 2014 in view of the sign of recovery in fur skins prices. The Group kept the purchases in the warehouse of the auction house(s) and the outstanding payments to the auction house(s) were not required to be settled until the release and delivery of fur skins to the destinations as instructed by its customers.

Receipt in advance amounted to approximately HK\$20.3 million, representing approximately 87.6% of other payables as at 31 March 2014. Receipt in advance is mainly the advance from Copenhagen Fur for the number of mink skins pelted and delivered for sales in the coming auction and there was no such item as at 31 March 2013. Receipt in advance decreased slightly to approximately HK\$19.9 million as at 31 December 2014 mainly as a result of repayment of such advance to Copenhagen Fur.

Other payables and accruals increased from approximately HK\$2.9 million as at 31 March 2014 to approximately HK\$6.3 million as at 31 December 2014 mainly because of approximately HK\$5.0 million payables in relation to the purchase of breeding minks for the mink farming segment of the Group.

Promissory note

The promissory note was issued by the Group 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 Group has early repaid the principal amount of HK\$20 million during the nine months ended 31 December 2014.

Outlook

The Board believes that the early winter and later start of Chinese New Year extend the selling period for fur garments during the season. The persistently cold weather in China during December 2014 has been crucial to the positive development in the fur-related retail industry. The Group decided to withhold trading of approximately 160,000 mink skins having considered the increase in value of mink skins sold at January 2015 auction of Kopenhagen Fur as compared with the value at June 2014 auction in order to take advantage of the expected steady increase in fur skin prices which may benefit the Group's profit margins.

Loyal Speed continues to build and strengthen its business relationship with favourable new and existing customers. It is expected to have steady performance as the existing customers of fur skin brokerage service of the Group have been enjoying good retail season and they may place more orders through Loyal Speed.

Going forward, the Group will continue to identify good valued and high-quality farms for possible acquisitions in order to strengthen its portfolio and to lower its costs through large-scale purchase of supplies and sharing of equipment among mink farms. On 10 November 2014, the Company announced that the Group was negotiating for an acquisition of a mink farm in Denmark accommodating around 2,000 breeders; and an acquisition of a piece of 6-hectare land adjoining the farm to expand the production capacity of the farm if the potential farm acquisition materialises. The Company intends to finance the potential acquisitions (if materialise) with its general working capital. Up to the date of this announcement, negotiation has been held up due to certain issues relating to the land adjoining the mink farm. The Group has no concrete plan on pursuing the potential acquisitions unless and until such issue can be resolved between the parties.

With a breeding program implemented across mink farms of the Group, it is foreseeable that the Group will continue to produce top quality fur skins to the market in the near future.

As at the date of this announcement, the Group has the expansion plan for its existing five mink farms for the year ending 31 March 2015 and the year ending 31 March 2016 and the capital expenditure expected to be incurred as below:

	For the year ending 31 March 2015	For the year ending 31 March 2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	<i>(approximately)</i>	<i>(approximately)</i>
Farm 1 — nest and cages	1,120	1,120
Farm 2 — shed for straw	—	2,100
Farm 3 — expansion the new halls, nest, cages and equipment	4,859	—
Farm 4 — shed for straw	—	2,100
Farm 5 — nest, fence and driveway renovation	497	—
	<hr/>	<hr/>
Total	6,476	5,320
	<hr/> <hr/>	<hr/> <hr/>

Strategy on future business development

The Group will continue to purchase fur skins for stock at good value in order to attain better profits. The experienced management of the Group closely monitors market prices of fur skins and formulates purchase strategies (for example, to purchase fur skin type(s) of good potential to be sold at better value in future) on buying fur skins at reasonable or relatively low prices.

The Group will spend more effort on soliciting customers from China and Russia. Currently, the Group has a sales manager stationed in China to liaise with customers and receive orders. On the other hand, the Group will expand the capacity of its existing farms within the approved capacity under the respective permits; and will buy new breeders to the farms for improving the quality, size and colour of minks. The Group will also continue to maintain its maintenance team to keep the mink farms in good condition and environment.

When suitable market opportunities arise, the Group may consider acquiring other fur brokerage firm(s) in the market and/or other mink farm(s) in Denmark.

Material factors affecting the Group's prospective operating and financial performance and financial position

Unrealised fair value gains/losses on biological assets can fluctuate dramatically from period to period, are non-cash in nature, and are derived from many assumptions. Moreover, reported profits may be more volatile as any increase in the selling prices of biological assets will increase both the sales revenue and the unrealized fair value gains and vice versa.

The fair value of biological assets of the Group at the end of each financial year was determined by independent professional valuers. In applying these valuation methods, the independent professional valuers have relied on a number of assumptions. The fair value of biological assets of the Group is determined pursuant to various assumptions that may vary from time to time. Market prices for minks are volatile and susceptible to fluctuations from period to period. As a result of re-measurement of biological assets from period to period, the Group's financial position and results of operations may change significantly from period to period. Moreover, the fair value of biological assets could be affected by, among others, the accuracy of those assumptions, as well as the quality of the Group's minks. Therefore, the resulting adjustments can be volatile and deviation from the actual results in future may or may not be significant.

Unrealised fair value gains/losses on biological assets are non-cash in nature. Upward adjustments and gains so recognised do not generate any cash inflow for the Group's operations. As a result, when evaluating result of operations and profitability of the Group, the effects of biological asset fair value adjustments should not be taken into account.

Price fluctuation of fur skins

Fur skins traded by the Group are subject to price fluctuation. Prices of fur skins are influenced by the global supply and demand and the market situation of the time. Any substantial increase in the costs of fur skins which cannot be passed by the Group to its customers for trading segment in whole or in substantial part, any unexpected change in market trend and/or decrease in demand for fur skins may affect the profitability of the Group.

The Group may not be able to sustain gross profit margin in future

The sustainability of the Group's gross profit margin depends on the purchase costs of fur skins and the selling prices of fur skins which fluctuated with the then prevailing market conditions and the global economy. There is no assurance that the Group will be able to achieve or maintain similar level of gross profit margin, which will affect the Group's business and financial performance in the future. Based on the acquisition costs of its fur skin inventories and the prevailing market price of fur skins, the Directors have no plans to sell the Group's mink skins at a loss.

Credit risks of customers

The Group allows a credit period ranging from 0-120 days to its customers in fur skins trading segment and 180 days for the customers in fur skin brokerage financing services segment. The financial position, profitability and cash flow of the Group depend on whether those customers are able to settle the outstanding balances owed to the Group in a timely manner. If there is any delay or defaults in payments by those customers, the financial position, profitability and cash flow of the Group may be adversely affected.

Insurance coverage maintained by the dressing companies may not be sufficient to honour all indemnities in favour of the Company against any liabilities or the breach of the Pelt Retention Deed by the dressing companies

Pursuant to the Brokerage and Financing Agreements, the fur skin brokerage customers shall repay the advance from Loyal Speed in full before taking delivery of the relevant fur skins and they agree that Loyal Speed shall have a lien over the relevant fur skins before full repayment. The Company advised that as at the date of this announcement, all the collaterals were not under the Group's custody and were kept by the dressing companies. Should there be (i) default in repayment of relevant advance by the fur skin brokerage customer to Loyal Speed; (ii) damages and/or loss to the fur skins kept as collaterals at the dressing company(ies), (iii) breach of the Pelt Retention Deed by the dressing company(ies) and (iv) the insurance coverage maintained by the dressing company(ies) is insufficient; the Group's business and financial performance may be adversely affected.

Changes in legislations relating to fur industry

Countries may enact or amend their legislations (for example, animal welfare related legislations) to tighten the control of fur farming, fur trading, fur skins purchases, import or export or relevant activities in the fur industry. Any material change on legislations aiming to further regulate the fur industry may adversely affect fur farming, fur trading, fur skins purchases, import or export, which in turn, may cause difficulties on the Group's mink farming business if it is unable to comply with the new requirements under the legislations and/or on sourcing of fur skins of desirable quality and/or quantity, or selling and/or delivering fur skins to customers. As a result, business operations of the Group may be adversely affected and its profitability may deteriorate.

Climate influence

Demand for fur garments generally fluctuates in accordance with changes in weather which may affect the demand for fur skins. Fur garment retailers generally need to replenish their stock after favourable sales in early and/or cold winter and this would drive the demand for fur skins, and vice versa. Given the unpredictability of the weather every year, the growth and profitability of the Group may be affected if the weather is unfavourable to the Group's businesses.

Plague and disease

Plague and disease outbreak may occur in the mink farms and may result in substantial loss in minks. This may bring about material adverse effect on the financial position, profitability and cash flow of the Group's mink farming business.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection on the websites of the Company at www.ukf.com.hk and the Stock Exchange at www.hkexnews.hk and www.hkgem.com:

- 1) the Memorandum and Articles;
- 2) the interim report of the Company for the six months ended 30 September 2014 and the third quarter report of the Company for the nine months ended 31 December 2014;
- 3) the Director's report and annual accounts of the Company for the year ended 31 March 2014 as contained in the annual report 2014 of the Company;
- 4) the circular of the Company dated 19 April 2013 in relation to the major and connected transaction regarding the acquisition of the entire issued share capital of Loyal Speed and notice of extraordinary general meeting;
- 5) the circular of the Company dated 29 May 2013 in relation to the issue of bonus shares, general mandates to issue and repurchase shares, re-election of directors and notice of annual general meeting;
- 6) the circular of the Company dated 13 June 2013 in relation to the placing of unlisted warrants under specific mandate and notice of extraordinary general meeting;
- 7) the circular of the Company dated 30 September 2013 in relation to the major transactions regarding financial assistance to customers;
- 8) the circular of the Company dated 16 June 2014 in relation to the issue of bonus shares, general mandates to issue and repurchase shares, refreshment of the 10% share option scheme limit, re-election of directors and notice of general meeting; and
- 9) the announcements and other corporate communications made by the Company prior to the date of this announcement as required under the Listing Rules and the GEM Listing Rules.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions shall have the following meanings when used herein:

“2013 Bonus Issue”	the allotment and issue of 235,936,000 bonus Shares on the basis of one new Share for every five existing Shares held by the then Qualifying Shareholders on 5 July 2013
“2013 Guaranteed Profit”	the amount of net profit (after tax and deducting extraordinary items) of Loyal Speed as shown in the audited financial statements of Loyal Speed for the year ended on 31 March 2013 as guaranteed by the vendor, i.e. HK\$14,000,000
“2014 Bonus Issue”	the allotment and issue of 330,355,200 bonus Shares on the basis of one new Share for every five existing Shares held by the then Qualifying Shareholders on 25 July 2014
“2014 Guaranteed Profit”	the amount of net profit (after tax and deducting extraordinary items) of Loyal Speed as shown in the audited financial statements of Loyal Speed for the year ended on 31 March 2014 as guaranteed by the vendor, i.e. HK\$14,000,000
“Articles”	the articles of association of the Company as amended from time to time
“Board”	the board of Directors
“Brokerage and Financing Agreements”	the two brokerage and financing agreements dated 26 August 2013 and entered into between Loyal Speed and each of its fur brokerage customers respectively
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	UKF (Holdings) Limited (stock code: 8168), a company incorporated in Cayman Islands with limited liability, the Shares of which are listed on GEM
“Director(s)”	the director(s) of the Company
“GEM”	The Growth Enterprise Market of Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM, as amended from time to time
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Kopenhagen Fur”	Dansk Pelsdyravlerforening, known as Kopenhagen Fur, a fur auction company in Denmark
“Latest Practicable Date”	5 March 2015, being the latest practicable date prior to the issue of this announcement for ascertaining certain information contained in this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“Loyal Speed”	Loyal Speed Limited, a company incorporated in the British Virgin Islands
“Memorandum”	the memorandum of association of the Company as amended from time to time
“Main Board”	the stock market operated by the Stock Exchange prior to the establishment of GEM (excluding the options market) which stock market continues to be operated by the Stock Exchange in parallel with GEM. For the avoidance of doubt, the Main Board excludes GEM
“PRC”	The People’s Republic of China
“Pelt Retention Deed”	the two pelt retention deeds entered into between Loyal Speed and each of the two dressing companies and dated 20 October 2014 and 25 October 2014 respectively
“Pre-IPO Share Option Scheme”	the pre-IPO share option scheme adopted by the Company on 1 August 2012
“Qualifying Shareholder(s) “	members whose names appeared on the register of members of the Company (excluding those Shareholder(s) whom the Directors, after making relevant enquiries, consider necessary or expedient to be excluded from the 2013 Bonus Issue or the 2014 Bonus Issue (as the case may be) on account either of the legal restrictions under the laws of the relevant place or the requirements of the relevant regulatory body or stock exchange in that place)
“Remuneration Committee”	remuneration committee of the Company
“Saga Furs”	Saga Furs Oyj is a fur auction company in Finland and the shares of which are listed in NASDAQ OMX exchange in Helsinki, Finland
“SFO”	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme adopted by the Company on 1 August 2012
“Share Option Schemes”	the Pre-IPO Share Option Scheme and the Share Option Scheme
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transfer of Listing”	the transfer of listing of Shares from GEM to the Main Board pursuant to Chapter 9A of the Listing Rules
“Warrants”	200,000,000 unlisted warrants issued by the Company on 8 August 2014, the holders of which have the right to subscribe for a maximum of 200,000,000 Shares within the period of 24 months ending on 8 August 2016

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

Hong Kong, 12 March 2015

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

Executive Directors:

Mr. Wong Chun Chau
Ms. Kwok Yin Ning

Independent non-executive Directors:

Mr. Ang Wing Fung
Mr. Tang Tat Chi
Mr. Jean-pierre Philippe

This announcement, for which all the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules and 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 announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this announcement misleading.

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