



UKF (HOLDINGS) LIMITED

英裘(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

GEM stock code: 8168

UKF

Interim Report 2012

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Financial highlights

- Recorded an unaudited turnover of approximately HK\$153.8 million for the six months ended 30 September 2012, representing an increase of approximately 39.9% over the same period of the previous year.
- Recorded an unaudited profit and total comprehensive income attributable to the equity holders of the Company of approximately HK\$10.3 million for the six months ended 30 September 2012, representing an increase of approximately 41.7% over the same period of the previous year.
- Basic earnings per share for the six months ended 30 September 2012 were HK\$1.34 cents (2011: HK\$1.01 cents).
- The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2012.

Chairman's statement

Interim results

The Group's unaudited turnover from selling raw mink and raw fox skins amounted to approximately HK\$153.8 million for the six months ended 30 September 2012 which represented an increase of approximately HK\$43.8 million or approximately 39.9% as compared to approximately HK\$110.0 million for the six months ended 30 September 2011.

The unaudited net profit of the Group attributable to shareholders amounted to approximately HK\$10.3 million for the six months ended 30 September 2012 which represented an increase of approximately HK\$3.0 million or approximately 41.7% as compared to approximately HK\$7.3 million for the six months ended 30 September 2011.

Basic earnings per share for the six months ended 30 September 2012 was approximately HK\$1.34 cents, as compared to HK\$1.01 cents for the same period in 2011.

Business review

China experienced a better-than-expected winter retail season in selling mink garments. The steady economic growth enabled China's large and increasingly wealthy middle class to exhibit their success by wearing mink garments. Since numerous fur factories and fur merchants have made a considerable amount of profit, the good market condition of the fur garment industry attracts friends and relatives of the fur merchants to invest in this industry. These two factors boosted the demand of fur skins in the region and were the main contributors of the favourable sales made by the Group during the record period.

Meanwhile, Russia also benefited from the great profits from the higher prices of oil and natural gas. Spurred by tradition and the great need for fur garments and fur hats due to their extremely cold climate, Russia's demand for fur during the last winter season was enormous. This resulted in very strong sales at the mink auction in Copenhagen in April this year. These sales resulted in record high attendance of fur buyers, which pushed the mink price to a new peak.

As certain fur skin traders or garment factories were restrained by their respective cash flow position and therefore did not actively participate in the June 2012 auctions in Helsinki and Copenhagen, the bidding price for mink and fox skins eased off in those auctions. However, this created a good opportunity for the Group to purchase a greater volume of 'good' to 'top quality' mink skins at a favourable price in preparation of the peak garment production period in summer.

Fur factories made their best endeavour in August 2012 to purchase good quality mink skins for garment production for the upcoming winter season, whereas bargaining for fairly priced skins before the September 2012 auction, which is the final auction of the year. Therefore, the Group achieved a great success in sales of mink skins in August 2012.

The September 2012 auctions in Copenhagen and Helsinki, being the last opportunity to buy mink and fox for this season, recorded an approximately 10% to 20% increase in price when buyers aggressively bid for the skins inside the auction rooms.

In addition to the trading as described above, the Group has also started a new related business in September 2012 by acting as a fur skin purchasing broker for good customers and earned good buying commission. This also allows an opportunity for the Group to do some financing, if required by customers, in the fur skin purchasing brokerage process after securing a 30% deposit with the full amount of the purchase as collateral.

Prospects

With strong prices established in the September auctions in Copenhagen and Helsinki for mink and fox skins, the mink and fox skins previously purchased by the Group may be sold at a higher price for the remainder of the year. Hence, the Group should enjoy a handsome profit from its inventory in the next few months.

The Mid-Autumn Festival this year was the coolest among the past 20+ years. Temperatures reached subzero level in North East China and parts of Europe as early as mid-October. The cool weather simulated the sales of mink garments during the golden week (October 1-7) in China. In addition to the colder weather, the fur retailers in China look forward to a longer selling peak-season since the Chinese New Year holidays are later than usual. When the mink garment's inventory is low after Chinese New year, the fur merchants and fur factories will approach us to plan their 2013 fur skins purchase from us.

Top International designer brands such as: Hermès, Louis Vuitton, Giorgio Armani and Fendi have all created extensive fur or fur-trimmed collections for the fall and winter seasons this year. Since they set the trends worldwide, the demand for mink garments and fox trimmed ready-to-wear garments in China and Russia is expected to remain at a very high level.

In the coming fall and winter season, a greater number of shops will sell fur and especially fur-trimmed garments — which are fashionable and more affordable for China's massive middle class population.

Apart from the factors above, demand of fur garments is likely to be further enhanced as a result of the steady economic growth of China and Russia, which is partly driven by the rising price of raw materials caused by QE3. With the benefit and anticipation of steady economic growth, Chinese and Russian citizens will have plenty of money to buy luxury items such as fur garments for gifts or for their own use.

Currently, the Group has started to engage in a new and profitable trade in raw mink skins with a very well-known source, North American Fur Auctions ("NAFA"). Together with the Group's starting out to be a raw fur skin purchasing broker at the auctions, the Group's earnings will be satisfactory for the second half of 2012.

Wong Chun Chau

Chairman

Hong Kong, 30 October 2012

The board of Directors (the "Board") of the Company is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the three months and six months ended 30 September 2012 together with comparative unaudited figures for the corresponding periods in 2011, as follows:

Unaudited condensed consolidated statement of comprehensive income

For the three months and the six months ended 30 September 2012

	Notes	Three months ended 30 September		Six months ended 30 September	
		2012 HK\$ (unaudited)	2011 HK\$ (unaudited)	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)
Turnover	4	93,735,994	52,561,623	153,801,253	109,972,082
Cost of sales		(79,626,686)	(45,561,713)	(130,808,638)	(93,979,583)
Gross profit		14,109,308	6,999,910	22,992,615	15,992,499
Other income	5	394,101	27,712	424,142	158,085
Administrative expenses		(6,650,667)	(4,704,930)	(9,188,595)	(5,820,296)
Finance costs	6	(821,067)	(1,315,416)	(1,038,580)	(1,629,762)
Profit before tax		7,031,675	1,007,276	13,189,582	8,700,526
Income tax expenses	7	(1,732,172)	(166,201)	(2,898,144)	(1,439,110)
Profit for the period and total comprehensive income for the period attributable to the equity holders of the Company	8	5,299,503	841,075	10,291,438	7,261,416
Earnings per share (cents) Basic and diluted	10	0.65	0.12	1.34	1.01

Unaudited condensed consolidated statement of financial position

As at 30 September 2012

	Notes	30 September 2012 HK\$ (unaudited)	31 March 2012 HK\$ (audited)
Non-current asset			
Plant and equipment	11	69,936	40,080
		69,936	40,080
Current assets			
Inventories		47,925,403	18,524,772
Trade and other receivables	12	112,493,076	57,100,691
Bank balances and cash		16,771,108	9,173,880
		177,189,587	84,799,343
Current liabilities			
Trade and other payables	13	17,170,263	13,591,445
Tax payables		9,374,753	6,481,752
Dividend payable		4,140,000	—
Auction loans		5,747,514	18,829,180
Bank borrowing	14	50,347,549	17,277,113
		86,780,079	56,179,490
Net current assets		90,409,508	28,619,853
Total assets less current liabilities		90,479,444	28,659,933
Non-current liability			
Deferred tax liability	16	9,587	4,444
Net assets		90,469,857	28,655,489
Capital and reserves			
Share capital	15	9,600,000	7,200,000
Reserves		80,869,857	21,455,489
Total equity		90,469,857	28,655,489

Unaudited condensed consolidated statement of changes in equity

For the six months ended 30 September 2012

	Share capital HK\$	Share premium HK\$	Merger reserve HK\$	Share options reserve HK\$	Retained profits HK\$	Total HK\$
At 1 April 2011 (audited)	78,000	—	—	—	12,021,223	12,099,223
Profit for the period and total comprehensive income for the period	—	—	—	—	7,261,416	7,261,416
At 30 September 2011 (unaudited)	78,000	—	—	—	19,282,639	19,360,639
At 1 April 2012 (audited)	78,000	—	—	—	28,577,489	28,655,489
Dividend declared	—	—	—	—	(8,280,000)	(8,280,000)
Shares swap pursuant to group reorganisation (Note 15(c))	7,122,000	—	(7,122,000)	—	—	—
Issue of shares by placing (Note 15(e))	2,400,000	60,000,000	—	—	—	62,400,000
Shares issue expenses	—	(3,737,547)	—	—	—	(3,737,547)
Recognition of equity-settled share based payments	—	—	—	1,140,477	—	1,140,477
Profit for the period and total comprehensive income for the period	—	—	—	—	10,291,438	10,291,438
At 30 September 2012 (unaudited)	9,600,000	56,262,453	(7,122,000)	1,140,477	30,588,927	90,469,857

Unaudited condensed consolidated statement of cash flows

For the six months ended 30 September 2012

	Six months ended 30 September	
	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)
Net cash used in operating activities	(65,834,196)	(35,351,991)
Net cash (used in)/generated from investing activities	(41,219)	7
Net cash generated from financing activities	73,472,643	35,193,494
Net increase/(decrease) in cash and cash equivalents	7,597,228	(158,490)
Cash and cash equivalents at 1 April	9,173,880	276,197
Cash and cash equivalents at 30 September, represented by bank balances and cash	16,771,108	117,707

Notes to the unaudited condensed consolidated financial statements

For the three months and six months ended 30 September 2012

1. General information

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

The condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is the same as the functional currency of the Company and its primary subsidiaries. HK\$ is the currency of the primary economic environment in which the principal subsidiaries of the Company operate (the functional currency of the principal subsidiaries).

The directors of the Company consider that Trader Global Investments Limited, a company incorporated in the British Virgin Islands (“BVI”) with limited liability, is the ultimate holding company of the Company.

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

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, these condensed consolidated financial statements have been prepared on the basis as if the Company has always been the holding company of the companies comprising the Group throughout the six months ended 30 September 2012, using the principles of merger accounting as prescribed in Hong Kong Accounting Guideline 5 “Merger Accounting for Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The shares of the Company have been listed on the GEM of the Stock Exchange on 24 August 2012.

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

These condensed interim financial statements have not been audited.

2. Basis of preparation

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

3. Principal accounting policies

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2012 are the same as those followed in the preparation of the Group's financial information for each of the two years ended 31 March 2012 as included in the accountants' report under Appendix I of the Prospectus (the "Accountants' Report").

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

Amendments to HKFRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to HKFRS 7	Disclosures — Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax — Recovery of Underlying Assets

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

The Group has not early adopted new or revised HKFRSs, interpretations and amendments (hereinafter collectively referred to as "New HKFRSs") that have been issued but are not yet effective as set out in Note 3 to section A of the Accountants' Report.

In addition, the following amendments to HKFRSs have been issued but are not effective subsequent to the date of the Prospectus:

Annual Improvements to HKFRSs 2009-2011 Cycle HKFRS 1 Amendments	Amendments to a number of HKFRSs issued in June 2012 ¹
HKFRS 1 Amendments	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards — Government Loans ¹

¹ Effective for annual periods beginning on or after 1 January 2013

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

4. Segment information

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

For management purpose, the Group operates in one business unit based on their products, and has one reportable and operating segment: trading of fur skins. The Board reviewed the sales of major products for the purpose of resources allocation and performance assessment. Accordingly, the Group does not have any identifiable segment or any discrete information for segment reporting purpose.

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

	Three months ended 30 September		Six months ended 30 September	
	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)
Trading of fur skins	93,735,994	52,561,623	153,801,253	109,972,082

Geographical information

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

	Three months ended 30 September		Six months ended 30 September	
	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)
PRC	87,293,792	40,601,161	130,128,656	65,917,388
Europe	499,187	6,993,203	14,258,597	39,087,435
Russia	—	4,251,968	2,460,619	4,251,968
Hong Kong	5,943,015	715,291	6,953,381	715,291
	93,735,994	52,561,623	153,801,253	109,972,082

5. Other income

	Three months ended 30 September		Six months ended 30 September	
	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)
Bank interest income	20	3	32	7
Exchange gain, net	257,438	—	286,385	—
Interest income from a related company	—	—	—	48,922
Interest income from customers	—	14,641	—	14,641
Bonus and rebate from auction houses	4,794	13,068	5,876	94,515
Brokerage commission	131,849	—	131,849	—
	394,101	27,712	424,142	158,085

6. Finance costs

	Three months ended 30 September		Six months ended 30 September	
	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)
Interest wholly repayable within five year:				
Trust receipt loan interest	268,287	136,411	374,464	288,396
Overdraft interest	192	139	2,319	1,245
Auction interest	378,707	717,688	388,624	717,688
Auction finance interest	173,881	461,178	273,173	622,433
	821,067	1,315,416	1,038,580	1,629,762

7. Income tax expenses

	Three months ended 30 September		Six months ended 30 September	
	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)
The charge comprises:				
Hong Kong Profits Tax	1,726,311	166,892	2,893,001	1,440,492
Deferred taxation (Note 16)	5,861	(691)	5,143	(1,382)
	1,732,172	166,201	2,898,144	1,439,110

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

8. Profit for the period

	Three months ended 30 September		Six months ended 30 September	
	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)
Profit for the period has been arrived at after charging:				
Cost of inventories recognized as expenses	36,993,625	25,719,993	160,085,203	88,046,570
Staff costs (including directors' remuneration)				
— Salaries and allowances	730,190	522,900	1,321,880	1,045,800
— Defined contribution retirement benefit scheme contributions	22,722	17,895	43,936	35,790
Depreciation	6,385	5,010	11,395	10,020
Equity-settled share-based payments	1,140,477	—	1,140,477	—
Exchange loss, net	—	51,938	—	15,273
Operating lease payments	89,218	93,419	177,402	186,837

9. Dividends

No dividends were paid, declared or proposed during the interim period. The Directors do not recommend the payment of an interim dividend for the six months ended 30 September 2012 (six months ended 30 September 2011: Nil).

10. Earnings per share

The calculation of the basic earnings per share for the six months ended 30 September 2012 and 2011 is based on the profit and total comprehensive income attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the six months ended 30 September 2012 and 2011 on the assumption that 720,000,000 shares of HK\$0.01 each, representing the number of shares of the Company immediately after the Reorganisation as disclosed in Appendix V to the Prospectus but excluding any shares to be issued pursuant to the placing had been effective on 1 April 2011.

The dilutive earnings per share is equal to the basic earnings per share as there were no dilutive potential ordinary shares outstanding during the six months ended 30 September 2012 and 2011.

11. Movements in plant and equipment

During the six months ended 30 September 2012, the Group spent HK\$41,251 (six months ended 30 September 2011: Nil) on acquisition of plant and equipment.

12. Trade and other receivables

	30 September 2012 HK\$ (unaudited)	31 March 2012 HK\$ (audited)
Trade receivables	87,121,271	56,695,858
Prepayments	132,620	314,377
Trade deposit	25,010,685	—
Deposits and other receivables	228,500	90,456
	112,493,076	57,100,691

The Group offered to its trade customers credit periods ranging from 15 to 120 days. The Group did not hold any collateral over the trade receivable balances. The following is an aged analysis of trade receivables presented based on invoice date at the end of the reporting period.

12. Trade and other receivables *(Continued)*

	30 September 2012 HK\$ (unaudited)	31 March 2012 HK\$ (audited)
0 – 60 days	37,616,576	46,813,517
61 – 90 days	35,462,135	6,504,981
91 – 120 days	11,255,473	3,377,360
Over 120 days	2,787,087	—
	87,121,271	56,695,858

13. Trade and other payables

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

	30 September 2012 HK\$ (unaudited)	31 March 2012 HK\$ (audited)
0 – 60 days	15,743,554	3,259,249
61 – 90 days	—	—
91 – 120 days	—	10,046,430
Trade payables	15,743,554	13,305,679
Customer deposits	78,000	—
Other payables and accruals	1,348,709	285,766
	17,170,263	13,591,445

14. Bank borrowing

	30 September 2012 HK\$ (unaudited)	31 March 2012 HK\$ (audited)
Trust receipt loan	50,347,549	17,277,113

15. Share capital

	Notes	Number of shares	Nominal value of ordinary shares HK\$
Ordinary shares of HK\$0.01 each			
Authorised:			
Upon incorporation	(a)	38,000,000	380,000
Increase in authorised share capital	(b)	2,462,000,000	24,620,000
At 30 September 2012		2,500,000,000	25,000,000
Issued and fully paid:			
Upon incorporation	(a)	1	0.1
Issue of shares upon Reorganisation	(c)	71,999,999	7,199,999.9
Subdivided into 10 shares of par value of HK\$0.01 each	(d)	648,000,000	—
Issue of shares upon listing	(e)	240,000,000	2,400,000
At 30 September 2012		960,000,000	9,600,000

- (a) At as the date of incorporation of the Company, its authorised share capital was HK\$380,000 divided into 3,800,000 shares of HK\$0.1 each, one of which was issued to Codan Trust Company (Cayman) Limited nil-paid on 31 March 2011 and such a share was transferred to Trader Global Investments Limited on the same day.
- (b) Pursuant to written resolutions of the sole shareholder of the Company passed on 1 August 2012, the authorised share capital of the Company was increased from HK\$380,000 to HK\$25,000,000 by the creation of an additional 246,200,000 shares of HK\$0.10 each, such new shares to rank pari passu with the then existing shares in all respects.
- (c) Pursuant to written resolutions of the directors of the Company passed on 1 August 2012, it was resolved that in exchange of and as consideration for the acquisition of the entire issued share capital of 2 shares of US\$1.00 each in the capital of Trade Region Limited from Mr. Wong, the Company (i) credited as fully paid at par the 1 nil-paid Share of HK\$0.10 each held by Trader Global Investments Limited and (ii) allotted and issued 71,999,999 Shares of HK\$0.10 each, all credited as fully paid, to Trader Global Investments Limited.
- (d) On 1 August 2012, each of the then issued and unissued shares of par value of HK\$0.10 each in the share capital of the Company was subdivided into 10 Shares of par value of HK\$0.01 each. Upon the share subdivision becoming effective, the authorised share capital of the Company became HK\$25,000,000 divided into 2,500,000,000 Shares, of which 720,000,000 were in issue and fully paid. All the shares upon the share subdivision becoming effective rank pari passu in all respects with each other and the share subdivision did not result in any change in the relevant rights of the shareholders.
- (e) On 24 August 2012, the Company issued 240,000,000 new ordinary shares of HK\$0.01 each pursuant to the placing at a price of HK\$0.26 each upon the listing of the shares of the Company on the GEM of the Stock Exchange.

16. Deferred taxation

The following are the major deferred tax liabilities recognised and movements thereon during the current and preceding interim periods:

	Accelerated tax depreciation HK\$
At 1 April 2011 (audited)	7,208
Credited to the unaudited condensed consolidated statement of comprehensive income	(1,382)
At 30 September 2011 (unaudited)	5,826
At 1 April 2012 (audited)	4,444
Charged to the unaudited condensed consolidated statement of comprehensive income	5,143
At 30 September 2012 (unaudited)	9,587

Management discussion and analysis

Financial review

Turnover

The Group's turnover for the six months ended 30 September 2012 was approximately HK\$153.8 million, representing a significant increase of approximately 39.9% from approximately HK\$110.0 million of the corresponding period in 2011. The increase in the turnover was mainly attributable to the strong demand of fur skins in PRC and Russia and hence increases sales volume of fur skins.

Cost of fur skins sold

The cost of fur skins sold amounted to approximately HK\$130.8 million for the six months ended 30 September 2012, representing an increase of approximately 39.2% from approximately HK\$94.0 million of the corresponding period in 2011. The increase in the cost of fur skins sold was mainly attributable to the increase in sales of fur skins for the six months ended 30 September 2012 as compared with the six months ended 30 September 2011.

Gross profit and gross profit margin

The gross profit of the Group were approximately HK\$23.0 million and HK\$16.0 million for the six months ended 30 September 2012 and 2011 respectively, representing an increase of approximately 43.8%. Moreover, the gross profit margin of the Group slightly increased from approximately 14.5% for the six months ended 30 September 2011 to approximately 14.9% for the six months ended 30 September 2012. The increase in gross profit was primarily due to the expansion of the Group's business scale and increase in sales volume with a stable gross profit margin. The Group has conducted less resale in auction houses for the six months ended 30 September 2012 due to the relatively stable market price of fur skins and keen demand from the PRC and Russia customers. The gross profit margin attained from the resale of fur skins through auction houses is usually lower than that which can be attained from the sale of fur skins to other customers.

Administrative expenses

The administrative expenses of the Group increased by 57.9% from approximately HK\$5.8 million for the six months ended 30 September 2011 to approximately HK\$9.2 million for the six months ended 30 September 2012. The increase in the administrative expenses was primarily due to the increase in equity-settled share based payment and professional fee paid relating to the listing, both of which were caused by the listing of the shares of the Company on the GEM of the Stock Exchange on 24 August 2012 and the granting of the Pre-IPO share options to the executive directors, consultant and employees on 1 August 2012.

Finance costs

The finance costs of the Group decreased by approximately 36.3% from approximately HK\$1.6 million for the six months ended 30 September 2011 to approximately HK\$1.0 million for the six months ended 30 September 2012. The decrease in the finance costs was primarily due to the decrease in auction interest and auction finance interest. Following the listing of the Company's shares in August 2012, the Group obtained new banking facilities up to HK\$50 million; therefore, the Group did not need to rely on the auction finance at a relatively high interest rate. Auction interest paid to auction houses is the interest for the overdue payment after the 21-day interest free credit period. As the Group tended to shorten the period between purchases and sales of fur skins and shorten the settlement of payables to auction houses, the auction interest paid by the Group during the period dropped by 45.9% compared to the corresponding period in 2011.

Liquidity, financial resources and capital structure

The Group's funding and treasury activities are managed and controlled by the senior management. Historically, the Group met its liquidity and capital requirements principally through cash inflow from operating activities, auction loans and bank borrowing. Following the listing of the Company's shares August 2012, the Group met its liquidity and capital requirements by the net proceeds from placing, internal resources and bank borrowing.

The Group maintained bank balances and cash of approximately HK\$16.8 million as at 30 September 2012 (as at 31 March 2012: approximately HK\$9.2 million). The net assets of the Group as at 30 September 2012 were approximately HK\$90.5 million (as at 31 March 2012: approximately HK\$28.7 million)

As at 30 September 2012, the Group had bank borrowing in the form of trust receipt loan, of approximately HK\$50.3 million and auction loans of approximately HK\$5.7 million to finance its purchases of fur skins. The Group has obtained the banking facilities of up to HK\$50 million with a corporate guarantee provided by the Company and restriction on the gearing ratio and the net tangible assets of the Group. The net external gearing ratio representing the ratio of total interest bearing borrowings to the net assets of the Group was approximately 62% as at 30 September 2012 (31 March 2012: approximately 126%).

The Directors consider that the Group can meet the conditions of the banking facilities for the six months ended 30 September 2012 and in the future.

Pledge of assets

As at 30 September 2012, the Group did not pledge any of its assets for bank borrowing (31 March 2012: Nil).

Capital commitments

As at 30 September 2012, the Group did not have any significant capital commitments (31 March 2012: Nil).

Contingent liabilities

As at 30 September 2012, the Group did not have any material contingent liabilities (31 March 2012: Nil).

Material Acquisitions or Disposals and Significant Investments

The Group did not make any material acquisition or disposal of subsidiaries or significant investments during the six months ended 30 September 2012.

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

Save as disclosed under "Comparison of Future Plans and Prospects with Actual Business Progress" in this report, the Group did not have any specific plan for material investment or capital assets as at 30 September 2012.

Employee Information

As at 30 September 2012, the Group had a total of 11 staff including Directors (31 March 2012: 8). Staff costs including Director's remuneration amounted to approximately HK\$1.3 million for the six months ended 30 September 2012 (six months ended 30 September 2011: approximately HK\$0.7 million). Remuneration is determined based on the individual's qualification experience, position, job responsibility and market conditions. Salary adjustments and staff promotion are based on evaluation of staff performance by way of annual review, and discretionary bonuses would be paid to staff with reference to the financial performance of the Group of the preceding financial year. Other benefits include contributions to statutory mandatory provident fund scheme to its employees in Hong Kong, Pre-IPO Share Options and options that may be granted under the Share Option Scheme.

Risk Management

Credit Risk

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

In order to minimize the credit risk, management of the Group reviews the recoverable amount of trade debt owned by each individual at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the Board of Directors consider that the Group's credit risk is significantly controlled.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk but to a lesser extent. At the end of reporting period, the Group has a certain concentration of credit risk as 25.6% (As at 31 March 2012: 32.0%) and 80.2% (As at 31 March 2012: 91.2%) of the total trade and other receivables was due from the Group's largest customer and the five largest customers respectively.

Liquidity risk

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

Foreign currency risk

The Group carries out its business in Hong Kong and worldwide and most of the transactions are denominated in United States dollars ("US\$"). The sales and purchases transactions of the Group are exposed to the foreign currency risk.

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

Comparison of future plans and prospects with actual business progress

An analysis comparing the future plans and prospects as contained in the prospectus of the Company dated 15 August 2012 ("Prospectus") with the Group's actual business progress for the period from 6 August 2012, being the latest practicable date as defined in the Prospectus, to 30 September 2012 (the "Relevant Period") is set out below:

	Future plans and prospects	Actual business progress during the Relevant Period
Enhance ability to purchase more fur skins from the Kopenhagen Fur ("KF") and Saga Furs Oyj ("Saga") Auction houses	The Group will deploy more resources in sourcing fur skins in KF and Saga	The Group sourced more fur skins at favourable price in KF auction house in September 2012

The net proceeds from the Placing were approximately HK\$47.4 million, which was approximately HK\$7.3 million higher than what was anticipated in the prospectus due to the final placing price of HK\$0.26 per share was the highest placing price and was net of the actual expenses related to the listing which was approximately HK\$2.5 million over estimated in disbursements and financial printing costs. Accordingly, the Group adjusts the use of proceeds in the same manner and proportion as shown in the Prospectus.

The net proceeds from the Placing from the date of listing (i.e. 24 August 2012) to 30 September 2012 had been applied as follows:

	Adjusted use of proceeds in the same manner and proportion as shown in the Prospectus during the Relevant Period HK\$ million	Actual use of proceeds during the Relevant Period HK\$ million
Enhance ability to purchase more fur skins from the KF	14.7	14.6

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

Share options schemes

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

Pre-IPO Share Option Scheme

The Company adopted the Pre-IPO Share Option Scheme on 1 August 2012 under which the Company has conditionally granted options to certain Directors, consultant and employees of the Group to purchase shares of the Company with an exercise price HK\$0.208, HK\$0.26 and HK\$0.26 respectively.

The total number of shares in respect of which share options were granted under the Pre-IPO Share Option Scheme was 80,640,000 Shares which represented approximately 8.4% of the issued share capital of the Company as at 30 September 2012.

Grantees	Relationship with the Group	Date of Grant	Exercise Price per Share	Number of Underlying Shares	Approximate percentage of shareholding
Mr. WONG, Chun Chau	Executive Director	1 Aug 2012	HK\$0.208	36,480,000	3.8%
Ms. KWOK, Yin Ning	Executive Director	1 Aug 2012	HK\$0.208	24,000,000	2.5%
C.L. Management Services Limited	Consultant	1 Aug 2012	HK\$0.26	14,400,000	1.5%
Employees	Employee	1 Aug 2012	HK\$0.26	5,760,000	0.6%
				80,640,000	8.4%

Share Option Scheme

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

The total number of shares in respect of which share options may be granted under the Share Option Scheme must not exceed 10% of the total number of issued shares of the Company as at 30 September 2012.

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

From 30 September 2012 and up to the date of approval of these financial statements, no share options have been granted under the Share Option Scheme.

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

As at 30 September 2012, save for the interest of the Directors in shares of the Company ("Shares") and share options as set out below, neither of the Directors nor the Chief Executive of the Company had interests or short positions in the shares of the Company, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

Long position in Shares

Name	Nature of Interest	Name of Shares	Approximate Percentage of Shareholding in the Company
Mr. WONG, Chun Chau (Note)	Interest of controlled corporation	720,000,000	75%

Note: Under the SFO, Mr. Wong is deemed to be interested in 720,000,000 Shares which are held by Trader Global Investments Limited, a company wholly owned by Mr. Wong.

Long position in underlying Shares or equity derivatives of the Company

Name	Nature of Interest	Share Options	Approximate Percentage of Shareholding in the Company	Approximate Percentage of Shareholding in the Company assuming all the options granted under the Pre-IPO Share Option Scheme were exercised
Mr. WONG, Chun Chau (Note)	Beneficial owner	36,480,000	3.8%	3.5%
Ms. KWOK, Yin Ning	Beneficial owner	24,000,000	2.5%	2.3%

Note: Under the SFO, Mr. Wong is deemed to be interested in 720,000,000 Shares which are held by Trader Global Investments Limited, a company wholly owned by Mr. Wong.

Save as disclosed above, none of the Directors or the Chief Executives of the Company had any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations as at 30 September 2012.

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

As at 30 September 2012, according to the register of interests kept by the Company under Section 336 of the SFO, the following parties (in addition to those disclosed above in respect of the Directors and Chief Executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be recorded in the register and/or were directly or indirectly interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other members of the Group:

Long position in shares of the Company

Name	Nature of Interest	Name of Shares	Approximate Percentage of Shareholding in the Company
Trader Global Investments Limited (Note 1)	Beneficial owner	720,000,000	75.00%
Carafe Investment Company Limited (Note 2)	Beneficial owner	51,000,000	5.31%

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

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

Save as disclosed above, as at 30 September 2012, the Directors are not aware of any other persons who had interests or short positions in the shares or underlying shares of the Company which were interested in 5% or more of the issued share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or any persons (not being a Director) have interests or short positions in the shares or underlying shares of the Company which would full to be disclosed to the Company under the provisions in Divisions 2 and 3 of Part XV of the SFO.

Purchase, sale or redemption of listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2012.

Corporate governance

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 to the GEM Listing Rules from the date of listing (i.e. 24 August 2012) up to and including 30 September 2012.

Securities transactions by directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the six months ended 30 September 2012.

Competing interests

None of the Directors, controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interests in any business which compete or may compete with the business of the Group or had or might have any other conflicts of interest with the Group as at 30 September 2012.

Interest of compliance adviser

As notified by VC Capital Limited ("VC Capital"), the Company's compliance adviser, neither VC Capital nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 September 2012.

Audit committee

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the GEM Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process, internal control system and the Group’s financial statements. The Audit Committee comprises a total of three members, namely, Mr. Ang Wing Fung, Mr. Tang Tat Chi and Mr. Jean-pierre Philippe, all of whom are independent non-executive Directors. The Group’s unaudited consolidated results for the six months ended 30 September 2012 have been reviewed by the Audit Committee. The Audit Committee is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 30 October 2012

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

Executive Directors:

Wong Chun Chau (*Chairman*)
Kwok Yin Ning

Independent Non-executive Directors:

Ang Wing Fung
Tang Tat Chi
Jean-pierre Philippe