



UKF (HOLDINGS) LIMITED

英裘(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

GEM stock code: 8168



Third Quarterly Report 2012

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Financial highlight

- Recorded an unaudited turnover of approximately HK\$238.0 million for the nine months ended 31 December 2012, representing an increase of approximately 50.5% over the same period of the previous year.
- Recorded an unaudited profit attributable to the owners of the Company of approximately HK\$17.2 million for the nine months ended 31 December 2012, representing an increase of approximately 49.3% over the same period of the previous year.
- Basic earnings per share for the nine months ended 31 December 2012 were HK2.07 cents (2011: HK1.60 cents).
- The Directors do not recommend the payment of dividend for the nine months ended 31 December 2012.

Chairman's statement

Results

The Group's unaudited turnover from selling raw mink and raw fox skins amounted to approximately HK\$238.0 million for the nine months ended 31 December 2012 which represented an increase of approximately HK\$79.9 million or approximately 50.5% as compared to approximately HK\$158.1 million for the nine months ended 31 December 2011.

The unaudited net profit of the Group attributable to the equity holders amounted to approximately HK\$17.2 million for the nine months ended 31 December 2012 which represented an increase of approximately HK\$5.7 million or approximately 49.3% as compared to approximately HK\$11.5 million for the nine months ended 31 December 2011.

Basic earnings per share for the nine months ended 31 December 2012 was approximately HK2.07 cents compared to approximately HK1.60 cents for the same period in 2011.

Business review

Beijing recorded the coldest December for the last 26 years in 2012. Their cold winter period started early and gave the Chinese fur retailers a better-than-expected selling period.

The steady economic growth and smooth political transition following the 18th National Congress meeting boosted the sales of luxury items including fur garment which were in great demand. Together with the newly established fur merchants who witnessed the success of their friends or relatives in the fur trade and followed suit, the skins demand in August and October 2012 were greater than ever before in China.

Meanwhile, the fur retailers in Russia also benefited from the extremely cold weather and the growing domestic consumption stimulated by the high oil and natural gas export prices. Russia's Fur retail season started on a very positive note.

The abovementioned circumstances facilitated the huge success of the December 2012 auctions in Copenhagen and Helsinki. The majority of mink skins brought an average of 13-17% increase in price in Copenhagen and a 15% price jump for blue fox inside the Saga Furs auction room in Helsinki. Therefore, the Group enjoyed a much increased profit compared with same period last year.

The fur skin purchasing brokerage business of approximately HK\$0.2 million also ran well during the December 2012 auctions; therefore, the Group will look into the possibility of buying a well-established broker firm to expand into the brokerage business of raw fur skins.

Prospects

As the fur skin prices continued to exhibit an upward trend in the December 2012 auctions compared to the September 2012 auctions, the Group should enjoy a better-than-expected profit from its inventory in the coming few months. Additionally, due to the extremely cold weather this year in China as well as the late beginning of Chinese New Year holiday in mid February, the retail fur garment season will be longer than that of last year. In fact, many old and new fur merchants and fur factories approached us to plan their 2013 fur skins purchases.

Since famous international brands like Hermes, Louis Vuitton, etc. have made fur garments and fur trimmed garments very fashionable and popular worldwide, the demand of fur garments and fur trimmed garments increased especially in China, Russia and Korea.

Apart from the abovementioned factors, the Group maintains a very good working relationship with Copenhagen Fur, Saga Furs and North American Fur Auction. The Group will also start working with the 4th biggest fur auction house, America Legend Cooperative, to expand the source of high quality mink. Together with the raw fur skin purchasing broker business at the auctions, the Group's earnings is expected to be satisfactory for the whole accounting year of 2012/13.

Also, we are currently studying the possibility of buying mink farms in Denmark to expand the Group's upstream fur business.

Wong Chun Chau

Chairman

Hong Kong, 28 January 2013

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the three months and nine months ended 31 December 2012 together with comparative unaudited figures for the corresponding period in 2011, as follows:

Unaudited condensed consolidated statement of comprehensive income

For the three months and nine months ended 31 December 2012

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2012 HK\$ (unaudited)	2011 HK\$ (unaudited)	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)
Turnover	3	84,174,003	48,151,565	237,975,257	158,123,648
Cost of sales		(70,915,366)	(38,444,475)	(201,724,004)	(132,424,059)
Gross profit		13,258,637	9,707,090	36,251,253	25,699,589
Other income	4	204,693	33,765	628,834	191,850
Administrative expenses		(4,479,927)	(4,280,778)	(13,668,522)	(10,101,074)
Finance costs	5	(415,631)	(327,825)	(1,454,211)	(1,957,587)
Profit before tax		8,567,772	5,132,252	21,757,354	13,832,778
Income tax expenses	6	(1,633,487)	(854,250)	(4,531,631)	(2,293,360)
Profit for the period and total comprehensive income for the period attributable to the equity holders of the Company	7	6,934,285	4,278,002	17,225,723	11,539,418
Earnings per share (cents) Basic and diluted	9	0.72	0.45	2.07	1.60

Unaudited condensed consolidated statement of financial position

At 31 December 2012

	Notes	31 December 2012 HK\$ (unaudited)	31 March 2012 HK\$ (audited)
Non-current asset			
Property, plant and equipment	10	62,864	40,080
Current assets			
Inventories		33,974,704	18,524,772
Trade and other receivables	11	93,853,620	57,100,691
Bank balances and cash		45,540,112	9,173,880
		173,368,436	84,799,343
Current liabilities			
Trade and other payables	12	27,143,022	13,591,445
Tax payables		11,009,299	6,481,752
Auction loans	13	—	18,829,180
Bank borrowings	14	26,155,593	17,277,113
		64,307,914	56,179,490
Net current assets		109,060,522	28,619,853
Total assets less current liabilities		109,123,386	28,659,933
Non-current liabilities			
Corporate bond	15	10,000,000	—
Deferred tax liability	16	8,528	4,444
		10,008,528	4,444
Net assets		99,114,858	28,655,489
Capital and reserves			
Share capital	17	9,600,000	7,200,000
Reserves		89,514,858	21,455,489
Total equity		99,114,858	28,655,489

Unaudited condensed consolidated statement of changes in equity

For the nine months ended 31 December 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 and total comprehensive income for the period	—	—	—	—	11,539,418	11,539,418
At 31 December 2011 (unaudited)	78,000	—	—	—	23,560,641	23,638,641
At 1 April 2012 (audited)	78,000	—	—	—	28,577,489	28,655,489
Dividend paid	—	—	—	—	(8,280,000)	(8,280,000)
Shares swap pursuant to group reorganisation (Note 17(c))	7,122,000	—	(7,122,000)	—	—	—
Issue of shares upon listing (Note 17(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 (Note 18)	—	—	—	2,851,193	—	2,851,193
Profit and total comprehensive income for the period	—	—	—	—	17,225,723	17,225,723
At 31 December 2012 (unaudited)	9,600,000	56,262,453	(7,122,000)	2,851,193	37,523,212	99,114,858

Notes to the unaudited condensed consolidated financial statements

For the nine months ended 31 December 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).

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 GEM of 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 nine months ended 31 December 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 (the “Listing”) 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 consolidated financial statements have not been audited.

2. Basis of preparation

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

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

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

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

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 March 2012.

3. Turnover and segment information

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

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 31 December		Nine months ended 31 December	
	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)
Trading of fur skins	84,174,003	48,151,565	237,975,257	158,123,648

Geographical information

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

	Three months ended 31 December		Nine months ended 31 December	
	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)
The People's Republic of China ("PRC")	81,963,343	45,430,645	212,091,999	111,348,033
Europe	—	—	14,258,597	39,087,435
Russia	1,297,358	2,720,920	3,757,978	6,972,889
Hong Kong	913,302	—	7,866,683	715,291
	84,174,003	48,151,565	237,975,257	158,123,648

4. Other income

	Three months ended 31 December		Nine months ended 31 December	
	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)
Bank interest income	63	7	95	14
Exchange gain, net	71,060	—	357,445	—
Interest income from a related company	—	—	—	48,922
Interest income from customers	—	—	—	14,641
Bonus and rebate from auction houses	64,584	33,758	70,459	128,273
Brokerage commission	68,986	—	200,835	—
	204,693	33,765	628,834	191,850

5. Finance costs

	Three months ended 31 December		Nine months ended 31 December	
	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)
Interest wholly repayable within five year:				
Trust receipt loans interest	320,684	117,902	723,634	406,297
Overdrafts interest	3,281	365	5,599	1,610
Corporate bond interest	91,666	—	91,666	—
Auction interest	—	191,774	388,624	909,462
Auction finance interest	—	17,784	244,688	640,218
	415,631	327,825	1,454,211	1,957,587

6. Income tax expenses

	Three months ended 31 December		Nine months ended 31 December	
	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)	2012 HK\$ (unaudited)	2011 HK\$ (unaudited)
The charge comprises:				
Hong Kong Profits Tax	1,634,546	854,941	4,527,547	2,295,433
Deferred taxation (Note 16)	(1,059)	(691)	4,084	(2,073)
	1,633,487	854,250	4,531,631	2,293,360

- (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.

7. Profit for the period

	Three months ended 31 December		Nine months ended 31 December	
	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 recognised as expenses	31,802,487	36,221,377	216,898,375	124,267,947
Staff costs (including directors' remuneration)				
— Salaries and allowances	1,034,120	727,277	2,356,000	1,773,077
— Defined contribution retirement benefit scheme contributions	24,788	20,384	68,724	56,174
Depreciation	7,072	5,010	18,467	15,030
Equity-settled share-based payments	1,710,716	—	2,851,193	—
Exchange loss, net	—	64,072	—	79,345
Operating lease payments	91,469	89,930	268,871	276,767

8. Dividends

The Directors do not recommend the payment of dividend for the nine months ended 31 December 2012 (Nine months ended 31 December 2011: Nil).

9. Earnings per share

The calculation of the basic earnings per share for the nine months ended 31 December 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 nine months ended 31 December 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 issued pursuant to the placing taken place on 24 August 2012, had been issued 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 nine months ended 31 December 2012 and 2011.

10. Property, plant and equipment

During the nine months ended 31 December 2012, the Group spent HK\$41,251 (nine months ended 31 December 2011: Nil) on acquisition of property, plant and equipment.

11. Trade and other receivables

	31 December 2012 HK\$ (unaudited)	31 March 2012 HK\$ (audited)
Trade receivables	93,199,737	56,695,858
Prepayments	556,674	314,377
Deposits and other receivables	97,209	90,456
	93,853,620	57,100,691

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

11. Trade and other receivables *(Continued)*

	31 December 2012 HK\$ (unaudited)	31 March 2012 HK\$ (audited)
0 – 60 days	27,055	46,813,517
61 – 90 days	66,730,761	6,504,981
91 – 120 days	19,507,087	3,377,360
Over 120 days	6,934,834	—
	93,199,737	56,695,858

12. 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:

	31 December 2012 HK\$ (unaudited)	31 March 2012 HK\$ (audited)
0 – 60 days	24,946,937	3,259,249
61 – 120 days	1,659,339	10,046,430
Trade payables	26,606,276	13,305,679
Other payables and accruals	536,746	285,766
	27,143,022	13,591,445

13. Auction loans

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

14. Bank borrowing

	31 December 2012 HK\$ (unaudited)	31 March 2012 HK\$ (audited)
Trust receipt loans	26,155,593	17,277,113

15. Corporate bond

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

16. Deferred taxation liability

The following are the major deferred tax liability recognised and movements thereon during the periods:

	Accelerated tax depreciation
	HK\$
At 1 April 2011 (audited)	7,208
Credited to the consolidated statement of comprehensive income	(2,073)
At 31 December 2011 (unaudited)	5,135
At 1 April 2012 (audited)	4,444
Charged to the consolidated statement of comprehensive income	4,084
At 31 December 2012 (unaudited)	8,528

17. 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 31 December 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 31 December 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 Chun Chau, the Company (i) credited as fully paid at par the 1 nil-paid Share held by Trader Global Investments Limited and (ii) allotted and issued 71,999,999 shares, all credited as fully paid, to Trader Global Investments Limited.
- (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.

18.Pre-IPO Share option scheme

Pursuant to a written resolution of the Company passed on 1 August 2012, the Company has conditionally adopted the Pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") on 1 August 2012 for the primary purpose of providing incentives to eligible participants. The total number of shares in respect of which share options granted under the Pre-IPO Share Option Scheme as at 31 December 2012 was 80,640,000 which represented approximately 8.4% of the issued share capital of the Company as at 31 December 2012.

Management discussion and analysis

Financial review

Turnover

The Group's turnover for the nine months ended 31 December 2012 was approximately HK\$238.0 million, representing a significant increase of approximately 50.5% from approximately HK\$158.1 million of the corresponding period in 2011. The increase in the turnover was mainly attributable to the increased sales volume of fur skins resulted from the strong demand of fur skins in the PRC and Russia.

Cost of fur skins sold

The cost of fur skins sold amounted to approximately HK\$201.7 million for the nine months ended 31 December 2012, representing an increase of approximately 52.3% from approximately HK\$132.4 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 nine months ended 31 December 2012 as compared with the nine months ended 31 December 2011.

Gross profit and gross profit margin

The gross profit of the Group were approximately HK\$36.3 million and HK\$25.7 million for the nine months ended 31 December 2012 and 2011 respectively, representing an increase of approximately 41.1%. However, the gross profit margin of the Group slightly decreased from approximately 16.3% for the nine months ended 31 December 2011 to approximately 15.2% for the nine months ended 31 December 2012. The decrease in gross profit was primarily due to the increase in price of mink skins during the review period.

Administrative expenses

The administrative expenses of the Group increased by 35.3% from approximately HK\$10.1 million for the nine months ended 31 December 2011 to approximately HK\$13.7 million for the nine months ended 31 December 2012. The increase in the administrative expenses of the Group for the nine months ended 31 December 2012 was primarily due to the increase in equity-settled share based payment and professional fee paid relating to the listing. The increase in these administrative expenses was a result of the Listing on 24 August 2012 and grant of the Pre-IPO share options by the Company to the executive directors, consultant and employees on 1 August 2012.

Finance costs

The finance costs of the Group decreased by approximately 24.5% from approximately HK\$2.0 million for the nine months ended 31 December 2011 to approximately HK\$1.5 million for the nine months ended 31 December 2012. The decrease in the finance costs of the Group for the nine months ended 31 December 2012 was primarily due to the decrease in auction interest and auction finance interest. Following the Listing 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. Since the Group tended to shorten the period between purchases and sales of fur skins and accelerate the settlement of payables to auction houses for the nine months ended 31 December 2012, the auction interest dropped substantially compared to the same period in the previous year.

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 and bank borrowings. Following the Listing in August 2012, the Group funded its liquidity and capital requirements by the net proceeds from placing, internal resources and bank borrowings.

The Group maintained bank balances and cash of approximately HK\$45.5 million as at 31 December 2012 (as at 31 March 2012: approximately HK\$9.2 million). The net assets of the Group as at 31 December 2012 were approximately HK\$100.4 million (as at 31 March 2012: approximately HK\$28.7 million)

In November 2012, the Group issued a corporate bond with the principal amount of HK\$10 million at the interest rate of 5.5% p.a. payable annually for 7 years. The proceeds raised from the corporate bond were used for the general working capital and the investments identified by the Group.

As at 31 December 2012, the Group had bank borrowings, in the form of trust receipt loans, of approximately HK\$26.2 million to finance its purchases of fur skins. Subsequent to the Listing, the Group has obtained the banking facilities of up to HK\$50 million with a corporate guarantee provided by the Company and on condition that (i) the net external gearing ratio of the Group shall not be more than 150% and (ii) tangible net worth of the Group shall not be less than HK\$70 million. The net external gearing ratio representing the ratio of total interest bearing borrowings to the net assets of the Group, was approximately 36.5% as at 31 December 2012 (31 March 2012: approximately 126%).

The Directors consider that the Group can meet the conditions of the banking facilities for the nine months ended 31 December 2012 and in the future.

Pledge of assets

As at 31 December 2012, the Group has not pledged any of its assets for bank borrowings (31 March 2012: Nil).

Capital commitments

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

Contingent liabilities

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

Share options schemes

The Company adopted 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") 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 granted under the Pre-IPO Share Option Scheme was 80,640,000 which represented approximately 8.4% of the issued share capital of the Company as at 31 December 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%
				<u>80,640,000</u>	<u>8.4%</u>

Share Option Scheme

The Share Option Scheme, which was approved and adopted by the shareholders' written resolutions of the Company on 1 August 2012, is valid and effective for a period of 10 years. It is a share incentive scheme and was 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 share options 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 immediately following the Listing (i.e. 10% of 960,000,000 shares).

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

From 31 December 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 31 December 2012, save for the interest of the Directors in shares of the Company ("Shares") and in share options as disclosed below, neither of the Directors nor the Chief Executive of the Company had interests and 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 5.61 and 5.67 of the GEM Listing Rules.

Long position in shares

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

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

Long position in underlying shares or equity derivatives of the Company

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

Further details of share options granted to Mr. Wong Chun Chau and Ms. Kwok Yin Ning are stated in the paragraph "Pre-IPO Share Option Scheme" under the Section "Share Option Schemes" of "Management Discussion and Analysis" above.

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

As at 31 December 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	Number 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 Chun Chau

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

Save as disclosed above, as at 31 December 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 fall to be disclosed to the Company under the provisions in Division 2 and 3 of Part XV of the SFO.

Purchase, sale or redemption of listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the nine months ended 31 December 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 for the nine months ended 31 December 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 as set out in Rules 5.46 to 5.67 of the Listing Rules. The Company has also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding securities transactions by Directors during the nine months ended 31 December 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 which such person has or may have with the Group as at 31 December 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 31 December 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 nine months ended 31 December 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, 28 January 2013

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

Executive Directors:

Mr. Wong Chun Chau (*Chairman*)

Ms. Kwok Yin Ning

Independent Non-executive Directors:

Mr. Ang Wing Fung

Mr. Tang Tat Chi

Mr. Jean-pierre Philippe