



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 2013

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This report, for which the directors (the “Directors”) of UKF (Holdings) Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in This report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or This report misleading.

For the purpose of illustration only and unless otherwise stated, conversion of DKK to HK\$ in This report is based on the exchange rate of DKK1.00 to HK\$1.43. Such conversion should not be construed as a representation that any amount have been, could have been, or may be exchanged at this or any other rate.

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Financial highlight

- Recorded an unaudited turnover of approximately HK\$197.4 million for the nine months ended 31 December 2013, representing a decrease of approximately 17.0% over the same period of the previous year.
- Recorded an unaudited profit attributable to the equity holders of the Company of approximately HK\$33.3 million for the nine months ended 31 December 2013, representing an increase of approximately 93.5% over the same period of the previous year.
- Basic earnings per Share for the nine months ended 31 December 2013 were HK2.29 cents (2012: HK2.07 cents).
- The Directors do not recommend the payment of dividend for the nine months ended 31 December 2013.

Chairman's statement

Results

The Group's unaudited turnover for the nine months ended 31 December 2013 was approximately HK\$197.4 million, representing a decrease of approximately 17.0% from approximately HK\$238.0 million during the same period in 2012.

The gross profits for the Group were approximately HK\$49.7 million for the nine months ended 31 December 2013, representing an increase of approximately 37.1% from HK\$36.3 million for the same period in 2012. The increase in gross profit was primarily due to increase in price of mink skins during the nine months ended 31 December 2013 and enlarged customer base after the acquisition of Loyal Speed Limited ("Loyal Speed").

Further, the Group recorded an unaudited profit attributable to equity holders of the Company of approximately HK\$33.3 million for the nine months ended 31 December 2013, representing a significant increase of approximately 93.5% over the same period of the previous year.

Business Review

In terms of business operation, the third quarter is normally divided into 2 parts: the first part is from October to November, and the second part comprises the whole December. The reason for such a division is that a year in the field of fur skin trading (i.e. a "trading year") conventionally starts in December and ends in November of the following year. The new trading year of 2014 started when Copenhagen Fur sold fur skins in middle of December 2013.

During the first period (1 October to 30 November) of the third quarter of 2013, our fur skin trading business had good profit resulting from the rising selling price of the fur skins. In the trading year ended 30 November 2013, the selling price of fur skins rose by more than 20% compared with the previous trading year. Further, we made the correct decision to sell most of our inventory before December to finish the trading year of 2013 on a good note. In the second period (December 2013), the fur prices decreased as usual and this gave our trading division an opportunity to acquire fur skins at relatively low costs and the Group is expected to make good profits when the fur skin prices go up in the forthcoming manufacturing period.

Trading

Since the start of the trading year of 2013, blue fox and mink skin prices have gone up by 55.5% and 22.7% respectively, compared with their respective average prices in the trading year of 2012. Our fur skin trading in the first period of the third quarter was very smooth and generated good profits.

Fur was very much in fashion for the 2013 winter collection, not only as fur garment but also as trimming apparel. It was exciting to see fur being used in non-traditional fashion and household items like shoes, bags and furniture.

Results from the financing business of Loyal Speed also exhibited an upward trend and reflected solid development of the business.

Mink Farming

The Group had growing confidence in its farming practice and it acquired its fourth farm during the previous quarter and the fifth farm in January 2014. The new farms together have the capacity to house 5,400 breeders and are now accommodating high quality and healthy minks transferred from one of the Group's top farm. The Company expected a satisfactory outcome from operating these farms.

Following the sorting season ending in November 2013, fur skins were delivered to the pelting centres. Reports from Copenhagen Fur showed the Group's fur skins were graded as of high quality. Credits should be given to farm managers for maintaining the high standards of the farms. Our farmers focus on creating a hospitable environment for the minks to maintain an above-average birth rate. In addition, the Group has designed a specific distribution plan with the auction house which will be implemented throughout year 2014. This distribution plan aims to optimise sales at the coming 2014 auctions.

With the five farms in our portfolio, the Group's area manager, John Eggert has been working diligently with all farm managers and Copenhagen Fur to devise an optimum breeding plan which aims to distribute our finest breeders across our farms. The breeding program which began in November 2013 focuses on developing strategies to increase the size, grade, quantity and quality of the fur skins. The Company is expected to see good results in June 2014 when the puppies are being delivered from the breeders.

Prospects

Fur is now in trend. Niche markets have opened up demands for fur in many different products like bags, shoes, pillows, furniture, etc. Not only have we seen more fur shops opened up in China, but we have also witnessed a similar trend in big cities in Turkey and the United Arab Emirates.

A good opportunity for fur skin trading is expected to arise in the trading year of 2014 after the fur skin prices stood at a low level at the beginning of year. The relatively low price level of fur skins may attract more people to purchase a greater number of fur skins and the trading division is expected to trade fur skins more easily than the previous year.

Loyal Speed is also expected to benefit from the relatively low price of fur skins at the start of 2014 as the fur brokers will have to meet the high demand of customers in the later part of the trading year and therefore buy fur skins from auctions at more attractive prices and have greater need for financing. The financing services to be rendered not only results in a greater amount of commission for Loyal Speed, but may also enlarge the customer base and generate more income for the rest of the trading division.

Before the breeding season begins in March 2014, the Group will be focusing on improving maintenance of the farms to best prepare for the following season. Improvements within the farms will be conducted, including replacing 20% of the cages within our farms. Furthermore, the Group will move forward with constructions to expand our top farm by 133% to elevate our productivity.

Apart from developing its existing business, with the help of Copenhagen Fur, the Group may pay extra efforts on the acquisition of additional farms in 2014. We are currently evaluating the productivity potential of a number of farms on the market. Due to the dip in the European market and the fact that the traditional mink price is usually lower at the beginning of a trading year, we anticipate to acquire farms at favourable prices.

Additionally, as the pelting season is now over, the older generation of Danish farmers is looking into retirement and tend to sell their farms before the breeding season begins. With the Group's good reputation in the industry and the gap in the market created as a result of retirement of farmers, the Group sees a great opportunity to continue to acquire mink farms at fair prices.

The beginning of 2014 is a great time for the Group to implement strategies to increase profits across all of our sectors. As the new farming season starts in March, the Group will assess the possibility of acquiring suitable new farms and increase our customer base for our trading and brokerage business. We are looking at a very successful year ahead.

Wong Chun Chau

Chairman

Hong Kong, 5 February 2014

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 nine months ended 31 December 2013 together with comparative figures as follows:

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

For the three months and nine months ended 31 December 2013

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
Turnover	4	45,773,605	84,174,003	197,449,901	237,975,257
Cost of sales		(32,998,940)	(70,915,366)	(147,752,516)	(201,724,004)
Gross profit		12,774,665	13,258,637	49,697,385	36,251,253
Other income	5	832,556	204,693	3,009,526	628,834
Change in fair value less cost to sell of biological assets		10,898,686	—	11,499,871	—
Administrative expenses		(10,374,069)	(4,479,927)	(25,477,737)	(13,668,522)
Finance costs	6	(1,139,270)	(415,631)	(3,747,942)	(1,454,211)
Profit before tax	7	12,992,568	8,567,772	34,981,103	21,757,354
Income tax expenses	8	(266,713)	(1,633,487)	(1,645,013)	(4,531,631)
Profit for the period and attributable to equity holders of the Company		12,725,855	6,934,285	33,336,090	17,225,723
Other comprehensive expenses					
Exchange difference on translation of overseas operations		948,099	—	1,040,965	—
Total comprehensive income for the period and attributable to equity holders of the Company		13,673,954	6,934,285	34,377,055	17,225,723
Earnings per share (cents)	10				
Basic		0.77	0.72	2.29	2.07
Diluted		0.75	0.72	2.24	2.07

Unaudited condensed consolidated statement of financial position

As at 31 December 2013

	Notes	31 December 2013 HK\$ (unaudited)	31 March 2013 HK\$ (audited)
Non-current asset			
Property, plant and equipment	11	38,976,662	15,756,136
Investment properties		1,478,857	741,262
Goodwill		74,425,332	—
Deferred tax asset		1,007,366	503,089
		115,888,217	17,000,487
Current assets			
Biological assets		13,892,301	5,990,558
Inventories		34,597,357	88,978,954
Trade and other receivables	12	49,579,286	52,611,026
Loan receivables	13	128,921,872	—
Bank balances and cash		43,593,456	134,468,472
		270,584,272	282,049,010
Current liabilities			
Trade and other payables	14	28,987,971	79,798,868
Tax payables		13,791,894	6,562,161
Obligations under finance lease		184,556	—
Bank borrowings	15	45,463,675	31,655,899
		88,428,096	118,016,928
Net current assets		182,156,176	164,032,082
Total assets less current liabilities		298,044,393	181,032,569
Non-current liabilities			
Corporate bond	16	10,000,000	10,000,000
Promissory note	17	18,286,846	—
Obligations under finance lease		258,937	—
Deferred tax liability		81,760	7,470
		28,627,543	10,007,470
Net assets		269,416,850	171,025,099
Capital and reserves			
Share capital	18	16,517,760	11,520,000
Reserves		252,899,090	159,505,099
Total equity		269,416,850	171,025,099

Unaudited condensed consolidated statement of changes in equity

For the nine months ended 31 December 2013

	Share capital HK\$	Share premium HK\$	Merger reserve HK\$	Share options reserve HK\$	Warrants reserve HK\$	Translations reserve HK\$	Retained profits HK\$	Total HK\$
As at 1 April 2012 (audited)	78,000	—	—	—	—	—	28,577,489	28,655,489
Dividend paid	—	—	—	—	—	—	(8,280,000)	(8,280,000)
Shares swap pursuant to group reorganisation (Note 18(a))	7,122,000	—	(7,122,000)	—	—	—	—	—
Issue of shares upon listing (Note 18(c))	2,400,000	60,000,000	—	—	—	—	—	62,400,000
Shares issue expenses	—	(3,737,547)	—	—	—	—	—	(3,737,547)
Recognition of equity-settled share based payments	—	—	—	2,851,193	—	—	—	2,851,193
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	17,225,723	17,225,723
As at 31 December 2012 (unaudited)	9,600,000	56,262,453	(7,122,000)	2,851,193	—	—	37,523,212	99,114,858
As at 1 April 2013 (audited)	11,520,000	114,649,721	(7,122,000)	4,561,909	—	(7,722)	47,423,191	171,025,099
Dividend paid	—	—	—	—	—	—	(8,257,760)	(8,257,760)
Issue of Shares upon exercise of Pre-IPO share options (Note 18(f))	334,400	9,498,025	—	(2,800,105)	—	—	—	7,032,320
Issue of Shares upon bonus issue (Note 18(e))	2,359,360	(2,359,360)	—	—	—	—	—	—
Issue of Shares by placing (Note 18(g))	2,304,000	62,208,000	—	—	—	—	—	64,512,000
Expenses attributable to issue of Shares	—	(1,831,793)	—	—	—	—	—	(1,831,793)
Issue of warrants	—	—	—	—	570,000	—	—	570,000
Expenses attributable to issue of warrants	—	—	—	—	(366,819)	—	—	(366,819)
Recognition of equity-settled share based payment	—	—	—	1,600,432	—	—	—	1,600,432
Issue of share options	—	—	—	756,316	—	—	—	756,316
Other comprehensive expenses for the period	—	—	—	—	—	1,040,965	—	1,040,965
Profit for the period and total comprehensive income for the period	—	—	—	—	—	—	33,336,090	33,336,090
As at 31 December 2013 (unaudited)	16,517,760	182,164,593	(7,122,000)	4,118,552	203,181	1,033,243	72,501,521	269,416,850

Notes to the unaudited condensed consolidated financial statements

For the nine months ended 31 December 2013

1. General information

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

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

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

These condensed quarterly financial statements have been not 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 nine months ended 31 December 2013 are the same as those followed in the preparation of the Group’s financial information for the year ended 31 March 2013 as included in the annual report of the Company (the “Annual Report”).

In the nine months ended 31 December 2013, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

3. Principal accounting policies *(Continued)*

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

The application of the above amendments to HKFRSs in the nine months ended 31 December 2013 has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

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

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

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

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

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

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

4. Segment information

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

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

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

	Three months ended 31 December		Nine months ended 31 December	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
Trading of fur skins	45,259,714	84,174,003	195,084,461	237,975,257
Mink farming	513,891	—	2,365,440	—
	45,773,605	84,174,003	197,449,901	237,975,257

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	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
The People's Republic of China ("PRC")	44,156,482	81,963,343	158,600,816	212,091,999
Europe	513,891	—	15,234,613	14,258,597
Russia	—	1,297,358	13,490,044	3,757,978
Canada	—	—	2,086,204	—
Hong Kong	1,103,232	913,302	8,038,224	7,866,683
	45,773,605	84,174,003	197,449,901	237,975,257

5. Other income

	Three months ended 31 December		Nine months ended 31 December	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
Bank interest income	8,332	63	8,828	95
Exchange gain, net	—	71,060	1,886,848	357,445
Rental income	24,578	—	81,990	—
Sundry income	3,550	—	235,764	—
Bonus and rebate from auction houses	796,096	64,584	796,096	70,459
Brokerage commission	—	68,986	—	200,835
	832,556	204,693	3,009,526	628,834

6. Finance costs

	Three months ended 31 December		Nine months ended 31 December	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
Interest wholly repayable within five year:				
Trust receipt loan interest	439,326	320,684	1,451,175	723,634
Term loan interest	75,652	—	187,944	—
Overdraft interest	5,429	3,281	10,212	5,599
Imputed interest on promissory note	286,496	—	666,700	—
Interest on finance lease	5,172	—	7,004	—
Corporate bond interest	137,503	91,666	412,501	91,666
Auction interest	189,692	—	360,972	388,624
Auction finance interest	—	—	651,434	244,688
	1,139,270	415,631	3,747,942	1,454,211

7. Profit before tax

	Three months ended 31 December		Nine months ended 31 December	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
Profit before tax has been arrived at after charging:				
Cost of inventories recognized as expenses	4,035,500	31,802,487	75,133,478	216,898,375
Staff costs (including directors' remuneration)				
— Salaries and allowances	3,102,981	1,034,120	7,271,082	2,356,000
— Defined contribution retirement benefit scheme contributions	34,388	24,788	96,429	68,724
Depreciation	540,806	7,072	1,706,621	18,467
Equity-settled share-based payments	533,477	1,710,716	2,356,748	2,851,193
Exchange loss, net	66,541	—	—	—
Loss on fixed assets written off	—	—	15,030	—
Operating lease payments	142,169	91,469	410,491	268,871

8. Income tax expenses

	Three months ended 31 December		Nine months ended 31 December	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
The charge comprises:				
Hong Kong Profits Tax	528,287	1,634,546	2,080,116	4,527,547
Other jurisdictions	—	—	—	—
	528,287	1,634,546	2,080,116	4,527,547
Deferred taxation	(261,574)	(1,059)	(435,103)	4,084
	266,713	1,633,487	1,645,013	4,531,631

8. Income tax expenses *(Continued)*

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

9. Dividends

The directors of the Company do not recommend the payment of dividend for the nine months ended 31 December 2013 (nine months ended 31 December 2012: Nil).

10. Earnings per share

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

	Three months ended 31 December		Nine months ended 31 December	
	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)	2013 HK\$ (unaudited)	2012 HK\$ (unaudited)
Profit attributable to the equity holders of the Company for the purpose of basic and diluted earnings per Share	12,725,855	6,934,285	33,336,090	17,225,723
Number of Shares:				
Weighted average number of ordinary shares for the purpose of the calculation of the basic earnings per Share	1,651,776,000	960,000,000	1,453,807,127	833,454,545
Effect of dilutive potential ordinary shares:				
Share options	29,299,004	—	26,790,858	—
Warrants	17,611,336	—	10,564,906	—
Weighted average number of ordinary shares for the purpose of the calculation of the diluted earnings per Share	1,698,686,340	960,000,000	1,491,162,891	833,454,545

10. Earnings per share *(Continued)*

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

The weighted average number of ordinary shares in issue during the nine months ended 31 December 2012 of 833,454,545 Shares 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 2012.

11. Movements in property, plant and equipment

During the nine months ended 31 December 2013, the Group spent approximately HK\$24,927,146 (nine months ended 31 December 2012: approximately HK\$41,251) on acquisition of property, plant and equipment, not including property, plant and equipment acquired through acquisition of a subsidiary.

Items of property plant and equipment with carrying value of approximately HK\$15,030 (nine months ended 31 December 2012: HK\$ Nil) were written off by the Group during the nine months ended 31 December 2013.

12. Trade and other receivables

	31 December 2013 HK\$ (unaudited)	31 March 2013 HK\$ (audited)
Trade receivables	41,835,560	51,253,885
Prepayments	3,991,892	757,566
Deposits and other receivables	3,751,834	599,575
	49,579,286	52,611,026

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

	31 December 2013 HK\$ (unaudited)	31 March 2013 HK\$ (audited)
0 - 60 days	32,555,824	44,964,541
61 - 90 days	5,899,010	4,027,597
91 - 120 days	973,323	—
Over 120 days	2,407,403	2,261,747
	41,835,560	51,253,885

13. Loan receivables

	31 December 2013 HK\$ (unaudited)	31 March 2013 HK\$ (audited)
Loan to customers	121,656,186	—
Accrued interest receivables	7,265,686	—
	128,921,872	—

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

14. Trade and other payables

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

	31 December 2013 HK\$ (unaudited)	31 March 2013 HK\$ (audited)
0 - 60 days	—	50,313,314
61 - 90 days	17,717,810	—
91 - 120 days	7,230,908	26,107,969
Over 120 days	—	1,659,338
Trade payables	24,948,718	78,080,621
Other payables and accruals	4,039,253	1,718,247
	28,987,971	79,798,868

15. Bank borrowings

	31 December 2013 HK\$ (unaudited)	31 March 2013 HK\$ (audited)
Trust receipt loans	37,326,878	31,655,899
Term loan	8,136,797	—
	45,463,675	31,655,899

16. Corporate bond

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

17. Promissory note

	31 December 2013 HK\$ (unaudited)	31 March 2013 HK\$ (audited)
Issued during the period	17,620,146	—
Imputed interest	666,700	—
	18,286,846	—

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

18. Share capital

	Notes	Nominal value of Number of shares	ordinary shares HK\$
Ordinary shares of HK\$0.01 each			
Authorised:			
As at 31 December 2013		2,500,000,000	25,000,000
Issued and fully paid:			
Issue of shares upon completion of share swap under the Reorganisation	(a)	72,000,000	7,200,000
Subdivision of 1 share of HK\$0.1 each into 10 shares of HK\$0.01 each	(b)	648,000,000	—
Issue of Shares upon listing	(c)	240,000,000	2,400,000
Issue of Shares by top-up placing and top-up subscription	(d)	192,000,000	1,920,000
Issue of Shares upon bonus issue	(e)	235,936,000	2,359,360
Issue of Shares on exercise of Pre-IPO share options	(f)	33,440,000	334,400
Issue of Shares by top-up placing and top-up subscription	(g)	230,400,000	2,304,000
As at 31 December 2013		1,651,776,000	16,517,760

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

18. Share capital *(Continued)*

- (e) On 15 July 2013, the Company issued one bonus share for every five then existing ordinary shares issued on or before 5 July 2013. The issued share capital of the Company was therefore increased by 235,936,000 shares of HK\$0.01 each accordingly.

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

- (f) During the nine months ended 31 December 2013, 33,440,000 new ordinary shares of HK\$0.01 each were issued on exercise of 33,400,000 share options (“Pre-IPO Share Options”) under the Pre-IPO Share Option Scheme of the Company (the “Pre-IPO Share Option Scheme”) at an aggregate consideration of HK\$7,032,320, of which HK\$334,400 was credited to share capital and the remaining balance of HK\$6,697,920 was credited to the share premium account. In addition, an amount attributable to the related Pre-IPO share options of HK\$2,800,105 has been transferred from share option reserve to the share premium account.

- (g) On 24 July 2013, the Company issued and allotted 230,400,000 new ordinary shares of HK\$0.01 each pursuant to the placing at a price of HK\$0.28 each as a result of the top-up placing and subscription.

19. Acquisition of a subsidiary

On 13 May 2013, Trade Region, the direct wholly owned subsidiary of the Company had acquired the entire issued share capital of Loyal Speed at a total consideration of HK\$91,000,000, HK\$71,000,000 of which was satisfied by cash, whereas HK\$20,000,000 of which was satisfied by issuance of the promissory note, whose the fair value was HK\$17,620,146 as at the issue date. The transaction has been accounted for by the acquisition method of accounting.

Loyal Speed is engaged in the provision of brokerage and financing services of fur skins.

19. Acquisition of a subsidiary (Continued)

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

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

20. Share-based payment transactions

Share Option Scheme

Pursuant to a written resolution of the Company passed on 1 August 2012, the Company has conditionally adopted the share option scheme (the "Share Option Scheme") for the primary purpose of providing incentive to eligible participants. The total number of Shares in respect of which share options granted under the Share Option Scheme ("Share Options") as at 31 December 2013 was 12,250,000 which represented approximately 0.74% of the issued share capital of the Company as at 31 December 2013.

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

Share Option Scheme *(Continued)*

The following Share Options were outstanding during the nine months ended 31 December 2013:

Name or category of participant	Date of grant	Exercise price	As at 1 April 2013	Granted during the period	Exercised during the period	Lapsed during the period	As at 31 December 2013
Director Mr. WONG Chun Chau	13 Aug 2013	0.408	—	12,250,000	—	—	12,250,000

Exercise period of the Share Options is 24 months commencing from the date of grant.

The fair value of the options granted was determined by an independent third party, Asset Appraisal Limited, by using Binomial Option Pricing Model. The assumptions used to determine the aforesaid fair value for the Share Option Scheme are set out as follows:

Vesting period	Underlying share value (Note 1)	Exercise multiple (Note 2)	Risk free rate (Note 3)	Volatility (Note 4)	Employee exit rate post-vesting (Note 5)	Dividend yield (Note 6)
Nil	HK0.385	2.8	0.28	35.85	Nil	1.82%

Notes:

- the closing market price per Share on the date of grant
- the exercise multiple defines the early exercise strategy
- the risk free rate represents the yields to maturity of Hong Kong Exchange Fund Note with respective terms to maturity as at the valuation date, 13 August 2013
- the exit rate post-vesting is the percentage of share option lapsed after the Vesting Period
- the volatility is the annualised standard deviation of daily return of the Company's share price with reference to Bloomberg
- the dividend yield represents dividend payout over the underlying share value as at the valuation date, 13 August 2013

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

Management discussion and analysis

Financial review

Turnover

The Group's turnover for the nine months ended 31 December 2013 was approximately HK\$197.4 million, representing a decrease of approximately 17.0% from approximately HK\$238.0 million of the corresponding period in 2012. The decrease in the turnover was mainly attributable to the Group's reallocation of resources to the newly acquired businesses namely (i) fur skin brokerage and relevant financing services and (ii) mink farming. Nevertheless, the newly acquired business has enriched our business profile in fur industry and resulted in good profit margin.

Cost of fur skins sold

The cost of fur skins sold amounted to approximately HK\$147.6 million for the nine months ended 31 December 2013, representing a decrease of approximately 26.8% from approximately HK\$201.7 million of the corresponding period in 2012. The decrease in the cost of fur skins sold was mainly attributable to the decrease in sales of fur skins for the nine months ended 31 December 2013 as compared with the nine months ended 31 December 2012.

Gross profit and gross profit margin

The gross profit of the Group were approximately HK\$49.7 million for the nine months ended 31 December 2013 representing an increase of approximately 37.1% from HK\$36.3 million for the same period in 2012. The gross profit margin of the Group increased from approximately 15.2% for the nine months ended 31 December 2012 to approximately 25.2% for the nine months ended 31 December 2013. The increase in gross profit was primarily due to increase in price of mink skins during the nine months ended 31 December 2013 and enlarged customer base after the acquisition of Loyal Speed. The average price of mink skins had a year-on-year increase by approximately 22.7%. The Group has conducted less resale in auction houses for the nine months ended 31 December 2013 due to the relatively stable market price of fur skins and the keen demand from the PRC and Russia customers. As the gross profit margin attained from the sale of fur skins to other customers is usually higher than that attained from the resale of fur skins through auction house(s), the Group was able to enjoy a higher gross profit margin during the nine months ended 31 December 2013 by selling the fur skins to customers.

Administrative expenses

The administrative expenses of the Group increased by approximately 86.4% from approximately HK\$13.7 million for the nine months ended 31 December 2012 to approximately HK\$25.5 million for the nine months ended 31 December 2013. The increase in the administrative expenses of the Group for the nine months ended 31 December 2013 was primarily due to increase in number of staff members, staff salaries, depreciation, farms operating cost and legal and professional fee as a result of the acquisition of Loyal Speed and mink farms in Denmark by the Group during the nine months ended 31 December 2013.

Finance costs

The finance costs of the Group increased by approximately 157.7% from approximately HK\$1.5 million for the nine months ended 31 December 2012 to approximately HK\$3.7 million for the nine months ended 31 December 2013. The increase in the finance costs of the Group for the nine months ended 31 December 2013 was primarily due to the increase in trust receipt loan interest, term loan interest, corporate bond interest and imputed interest on promissory note. As at 31 December 2013, the Group obtained banking facilities of up to HK\$145 million; therefore, the trust receipt loan interest and term loan interest increased significantly. Further, as the Group issued a corporate bond in an aggregate principal amount of HK\$10 million at the interest rate of 5.5% per annum annually for 7 years in November 2012, the Group incurred corporate bond interest during the nine months ended 31 December 2013. As part of consideration for the acquisition of Loyal Speed on 13 May 2013, the Group issued in an aggregate principal amount of HK\$20 million and imputed interest was therefore incurred. The fair value of the promissory note was HK\$17,620,146 at the effective interest rate of 6.54% per annum.

Liquidity, financial resources and capital structure

The Group generally finances its operations with internally generated cash flow, bank borrowings and corporate bond. The Group maintained bank balances and cash of approximately HK\$43.6 million as at 31 December 2013 (as at 31 March 2013: approximately HK\$134.5 million). The net assets of the Group as at 31 December 2013 were approximately HK\$269.4 million (as at 31 March 2013: approximately HK\$171.0 million).

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

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

As at 31 December 2013, the Group had bank borrowings, which represented trust receipt loans and term loan of approximately HK\$37.3 million and approximately HK\$8.1 million respectively to finance its purchases of fur skins and general working capital. The Group has obtained banking facilities of up to HK\$145 million with (i) all monies charge on cash deposit of HK\$8,500,000, (ii) corporate guarantees provided by the Company and (ii) the requirements that the net external gearing ratio shall not be more than 150% and the net assets of the Group shall grow by at least HK\$15 million annually. The net external gearing ratio representing the ratio of total interest bearing borrowings to the net assets of the Group, was 27.5% as at 31 December 2013 (31 March 2013: 24.4%).

The Directors consider that the Group can meet the conditions of the banking facilities for the nine months ended 31 December 2013 and in the future.

Pledge of assets

As at 31 December 2013, the Group pledged a cash deposit of HK\$8,500,000 to secure general banking facilities (31 March 2013: Nil).

Capital commitments

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

Contingent liabilities

As at 31 December 2013, the Group granted corporate guarantees to secure general banking facilities up to HK\$145 million. (31 March 2013: HK\$50 million).

Material acquisitions or disposals and significant investments

On 6 March 2013, Trade Region, a direct wholly owned subsidiary of the Company, entered into the sale and purchase agreement (the "SPA") as a purchaser to acquire the entire issued share capital of Loyal Speed in the total consideration of HK\$91,000,000. As at the date of the SPA, Loyal Speed focused on (i) buying raw fur skins from two auction houses on behalf of its customers including fur skins buyers or fur skin dealers to earn commission; and (ii) providing finance for its fur skin brokerage customers for settlement of their purchases of fur skins from these two auction houses to earn interests. 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 transactions contemplated under the SPA were approved at the extraordinary general meeting on 9 May 2013 and completed on 13 May 2013.

Pursuant to the SPA, Cheer Dragon International Limited (the "Vendor") guaranteed that the net profit (after tax and deducting extraordinary items) of Loyal Speed for the year ended 31 March 2013 would not be less than HK\$14 million (the "2013 Guaranteed Profit") and the sum of all receivables (other than prepayments) of Loyal Speed as at 31 March 2013 (the "2013 Aggregate Receivables") would be collected by 30 September 2013 (the "Receivables Guarantee").

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

Pursuant to the announcement dated 10 May 2013, UKF (Denmark) A/S, an indirect wholly owned subsidiary of the Company, entered into an acquisition agreement on 8 May 2013 as a purchaser with an independent farm owner in respect of acquisition of a mink farm located in Denmark at DKK11,130,000 (equivalent approximately HK\$15,915,900).

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

Employee information

As at 31 December 2013, the Group had a total of 24 staff members including Directors (31 March 2013: 12). Staff costs including Director's remuneration amounted to approximately HK\$7.3 million for the nine months ended 31 December 2013 (nine months ended 31 December 2012: approximately HK\$2.4 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 Share Options.

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 on-going basis.

In order to minimise the credit risk, management of the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that adequate impairment losses are made for irrecoverable amounts. By doing so, the Board considered that the Group's credit risk is significantly reduced.

The Company has no significant concentration of credit risk, with exposure spreading over a large number of counterparties and customers.

Liquidity risk

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

Foreign currency risk

The Group carries out its business in Hong Kong and worldwide and most of the transactions are denominated in United States dollars ("US\$"). The sale and purchase transactions of the Group have exposed the Group 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 review period, the management of the Group did not consider it necessary to use foreign currency hedging policy as the Group's assets and liabilities denominated in currencies other than the functional currency of the entity to which they related are short term foreign currency cash flows. As the HK\$ is pegged to the US\$, the Group considered the risk of movements in exchange rates between the HK\$ and the US\$ to be insignificant.

During the period under review, management of the Group did not consider it necessary to use foreign currency forward contracts to hedge the exposure to foreign currency risk due to the operation of the overseas subsidiary in Denmark, as the exchange rate of DKK was relatively stable.

Advances to the entities

Pursuant to the Rules 17.15 and 17.17 of the GEM Listing Rules, a disclosure obligation arises where the relevant advance to the entities from the Group exceeds 8% under the assets ratio as defined under Rule 19.07(1) of the GEM Listing Rules. As at 31 December 2013, the total assets of the Group were HK\$386,472,489.

As at 31 December 2013, Loyal Speed Limited, an indirect wholly owned subsidiary of the Company, had advances to two fur brokerage customers, namely Fur Supply (China) Limited (the “FSC Loans”) and Modern Fur Company Limited (the “MF Loans”) to finance their purchase of fur skins from the auction houses.

The table below sets out the details of the FSC Loans and MF Loans as at 31 December 2013:

	FSC Loans	MF Loans
Amount due to the Group	HK\$84,976,376	HK36,679,810
Credit Term	180 days	180 days
Interest Rate	1.2% per month if the repayment is made within the first 90 days of the credit period; 1.5% per month if the repayment is made after the first 90 days of the credit period	12% per annum if the repayment is made within the first 120 days of the credit period; 14.4% per annum if the repayment is made after the first 120 days of the credit period
Collateral	The fur skins purchased with the relevant part of the FSC Loan	The fur skins purchased with the relevant part of the MF Loan

Share options schemes

The Company has two share option schemes namely, Pre-IPO Share Option Scheme and the Share Option Scheme (collectively the “Share Option Schemes”) which were adopted on 1 August 2012.

Pre-ipo share option scheme

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

The following Pre-IPO Share Options were outstanding during the nine months ended 31 December 2013:

Name or category of participant	As at 1 April 2013	Number of share options				Adjusted number of share options	As at 31 December 2013	Date of grant of share options	Exercise price of share options HK\$	Adjusted exercise price of share options HK\$
		Granted during the period	Exercised during the period	Lapsed during the year						
Directors										
Mr. WONG Chun Chau	36,480,000	—	(16,400,000)	—	4,016,000	24,096,000	1 August 2012	0.208	0.173	
Ms. KWOK Yin Ning	24,000,000	—	(10,800,000)	—	2,640,000	15,840,000	1 August 2012	0.208	0.173	
Consultant	14,400,000	—	(5,760,000)	—	2,880,000	11,520,000	1 August 2012	0.26	0.217	
Employees	5,760,000	—	(480,000)	—	1,056,000	6,336,000	1 August 2012	0.26	0.217	
	80,640,000	—	(33,440,000)	—	10,592,000	57,792,000				

Note:

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

Share Option Scheme

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

The following Share Options were outstanding during the nine months ended 31 December 2013:

Name or category of participant	As at 1 April 2013	Number of share options			As at 31 December 2013	Date of grant of share options	Exercise price of share options HK\$
		Granted during the period	Exercised during the period	Lapsed during the year			
Director							
Mr. WONG Chun Chau	—	12,250,000	—	—	12,250,000	13 August 2013	0.408

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

As at 31 December 2013, the interests and or short positions of the Directors and the chief executives of the Company 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 are as follows:

Long position in Shares

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

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

Note 2: Under the SFO, Mr. Philippe is deemed to be interested in 1,620,000 Shares which are held by Aglades Investment Pte Limited, a company wholly owned by Mr. Philippe.

Long position in underlying Shares or equity derivatives of the Company

Name	Nature of Interest	Share Options	Approximate Percentage of Shareholding in the Company	Approximate Percentage of Shareholding in the Company assuming all the options granted under the Share Option Schemes were exercised
Mr. WONG Chun Chau	Beneficial owner	36,346,000	2.20%	2.11%
Ms. KWOK Yin Ning	Beneficial owner	15,840,000	0.96%	0.92%

Save as disclosed above, as at 31 December 2013, neither of the Directors nor the chief executives of the Company had interests and or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Division 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); (ii) were recorded in the register required to be kept under section 352 of the SFO, or (iii) have to be notified to the Company and the Stock Exchange pursuant to the required standards of dealing by directors as referred to in Rule 5.46 of the GEM Listing Rules.

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

As at 31 December 2013, according to the register of interests kept by the Company under section 336 of the SFO, the following parties (in addition to those disclosed above in respect of the Directors and chief executives of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provision in Division 2 and 3 of Part XV of the SFO:

Long position in shares of the Company

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

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

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

Save as disclosed above, as at 31 December 2013, the Directors were not aware of any other persons who had interests or short positions in the Shares or underlying Shares 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 2013.

Corporate governance

The Board is of the view that the Company met the code provisions set out in the Code on Corporate Governance Practices contained in Appendix 15 to the GEM Listing Rules for the nine months ended 31 December 2013.

Securities transactions by directors

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings. 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 2013.

Competing interests

None of the Directors, controlling shareholders of the Company and their respective associates (as defined in the GEM Listing Rules) had any interests in any business which compete or may compete with the business of the Group or any other conflicts of interest which such person has or may have with the Group as at 31 December 2013.

Interest of compliance adviser

As notified by VC Capital Limited ("VC Capital"), the Company's compliance adviser, neither VC Capital nor any of its directors or employees or associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2013.

Audit committee

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the GEM Listing Rules for the purpose of reviewing and providing supervision over the Group’s financial reporting process, internal control system and the Group’s financial statements. The Audit Committee comprises a total of three members, namely, Mr. Ang Wing Fung, Mr. Tang Tat Chi and Mr. Jean-pierre Philippe, all of whom are independent non-executive Directors. The Group’s unaudited consolidated results for the nine months ended 31 December 2013 have been reviewed by the Audit Committee. The Audit Committee is of opinion that the preparation of such financial information complied with the applicable accounting standards, the requirements under the GEM Listing Rules and any other applicable legal requirements, and that adequate disclosures have been made.

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

Hong Kong, 5 February 2014

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