



UKF (HOLDINGS) LIMITED

英裘(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1468



Interim Report 2015

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Financial Highlight

- Recorded an unaudited turnover of approximately HK\$157.7 million for the six months ended 30 September 2015, representing a decrease of approximately 9.2% over the same period of the previous year.
- Recorded an unaudited profit attributable to the shareholders of the Company of approximately HK\$26.5 million for the six months ended 30 September 2015, representing an increase of approximately 3.3% over the same period of the previous year.
- Basic earnings per share for the six months ended 30 September 2015 were approximately HK1.19 cents (2014: approximately HK1.22 cents).

Chairman's Statement

Interim Results

The Group's unaudited turnover for the six months ended 30 September 2015 (the "Period") was approximately HK\$157.7 million, representing a decrease of approximately 9.2% from approximately HK\$173.6 million during the same period in 2014.

The gross profits for the Group were approximately HK\$25.8 million and HK\$42.2 million for the six months ended 30 September 2015 and 30 September 2014 respectively, representing a decrease of approximately 38.7%. The decrease in gross profit was primarily due to the decrease in fur skin prices as a result of decrease in demand of fur skins during the Period.

Further, the Group recorded an unaudited profit attributable to the shareholders of the Company of approximately HK\$26.5 million for the six months ended 30 September 2015, representing a slight increase of approximately 3.3% over the same period of the previous year.

Business Review

The fur trading business experienced a difficult period amidst the exceptionally warm weather during the six months ended 30 September 2015. As a result, the Copenhagen Fur auction, which was the last auction of the season, recorded a decrease in fur skin price compared to the June auction.

The main reason for the drop in fur skin price in the last auction was the decrease in consumer spending in China and Russia, which experienced a slowdown in their economy during the six months ended 30 September 2015.

Notwithstanding that, the lower trading price of fur skin on the other hand encouraged new players to enter the fur industry. As fur fashion becomes more popular amongst the younger generations, which is credited to many designer brands such as Fendi's popular fur atelier introducing fur garments in bright colors, and modern designs to the market, we are observing a rising trend for middle sized brands and young designers to incorporate fur in their designs. Such trend is expected to continue in view of the lower fur skin price which makes it a more affordable raw material to young designers.

Fur Trading

Faced with difficulty in trading raw fur skins in March 2015 at NAFA and June 2015 at Copenhagen Fur auction due to a lower demand and lower fur skin price, we decided to lower our profit margin in order to encourage sales thereby reducing our inventory to avoid incurring additional expenses in managing inventory. Whilst the seller in September auction in Copenhagen as a whole suffered a rather substantial loss, by adopting the appropriate strategy, the Group still managed to generate a small amount of profit from this business segment.

Fur Skin Brokerage and Financing

The business of Loyal Speed Limited, an indirect wholly-owned subsidiary of the Company had a steady development during the six months ended 30 September 2015 as our customers have purchased more fur skins than those in the same period last year, resulting in an increase in commission and financing interest income as compared with the corresponding period last year.

Mink Farming

Our mink farming business had the biggest change during the six months ended 30 September 2015 as the Company has, through its wholly-owned subsidiary UKF (Denmark) A/S, acquired 7 additional mink farms thereby bringing up the number of our breeders on the mink farms to 55,000 as at 30 September 2015, representing an increase of approximately 244% from around 16,000 breeders as at 30 September 2014. With the 12 mink farms owned and operated by the Group as at 30 September 2015 (2014: 5), we expect to produce around 300,000 minks per year, which is likely to secure handsome profits for the Group.

Prospect

While the fur trade business is undergoing a momentary downturn brought about by the decrease in value of raw skins, the Company has been successful in view of its business strategy to continue to generate good profits across all business segments. The Company will continue to expand its customer network such that we can provide finance to support their trade of skins at upcoming auctions. The slower trading months ahead gives the Company more opportunity to focus on improving our business, especially our mink farming business. We will continue to strive for improvements within the farms and our breeding programs. The Company will conduct a review of our internal strategy by the end of the year.

Whilst the fur industry is proved to be a profitable niche market with abundant room for growth and potential which can be grasped by the Group by acquiring more farms and fur brokerage firms, it is highly dependent on the luxury market and is affected by the volatility in climate. As such, notwithstanding that the Company is able to maintain a stable growth in the fur business, we are looking for opportunities to diversify our business so as to minimize the risk exposed to the Group. The Company is considering venturing into the China market by leveraging on its strong connections with buyers in China as well as its awareness on the consumer needs in China, and is considering various business opportunities related to the ultimate consumer shopping experience.

Wong Chun Chau

Chairman

Hong Kong, 26 November 2015

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 six months ended 30 September 2015 together with comparative unaudited figures for the corresponding period in 2014, as follows:

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

For the six months ended 30 September 2015

	Notes	Six months ended 30 September	
		2015 HK\$ (unaudited)	2014 HK\$ (unaudited)
Turnover	3	157,662,130	173,626,543
Cost of sales		(131,818,835)	(131,465,554)
Gross profit		25,843,295	42,160,989
Other income	4	3,994,488	187,005
Change in fair value less cost to sell of biological assets		29,225,155	10,743,273
Administrative expenses		(27,681,560)	(22,288,807)
Finance costs	5	(2,891,280)	(3,709,548)
Profit before tax	6	28,490,098	27,092,912
Income tax expenses	7	(1,951,737)	(1,404,348)
Profit for the period and attributable to shareholders of the Company		26,538,361	25,688,564
Other comprehensive income/(expenses)			
Change in fair value of available-for-sale investment		(72,762)	(1,918,220)
Exchange difference on translation of overseas operations		221,555	386,121
Total comprehensive income for the period and attributable to the shareholders of the Company		26,687,154	24,156,465
Earnings per share (cents)	9		
Basic		1.19	1.22
Diluted		1.14	1.20

Unaudited condensed consolidated statement of financial position

At 30 September 2015

	Notes	30 September 2015 HK\$ (unaudited)	31 March 2015 HK\$ (audited)
Non-current assets			
Property, plant and equipment	10	135,551,518	35,874,450
Investment properties		—	1,125,559
Goodwill		75,433,142	75,433,142
Available-for-sale investment		10,344,195	10,122,640
Deferred tax asset		1,268,169	1,241,921
		222,597,024	123,797,712
Current assets			
Biological assets		98,055,322	18,509,725
Inventories		13,223,403	80,577,472
Trade and other receivables	11	53,145,532	66,751,283
Loan receivables	12	186,833,655	94,251,770
Derivative financial instruments		—	149,143
Tax recoverable		559,903	1,242,606
Bank balances and cash		16,531,651	136,655,316
		368,349,466	398,137,315
Current liabilities			
Trade and other payables	13	41,363,117	59,859,109
Derivative financial instruments		—	150,258
Tax payables		6,842,940	5,540,168
Bank overdraft		—	171,850
Obligations under finance lease		767,493	194,897
Bank borrowings	14	123,815,949	145,130,478
		172,789,499	211,046,760
Net current assets		195,559,967	187,090,555
Total assets less current liabilities		418,156,991	310,888,267
Non-current liabilities			
Corporate bond	15	10,000,000	10,000,000
Obligations under finance lease		—	16,628
Deferred tax liability		107,529	115,019
		10,107,529	10,131,647
Net assets		408,049,462	300,756,620
Capital and reserves			
Share capital	16	28,350,744	20,063,020
Reserves		379,698,718	280,693,600
Total equity		408,049,462	300,756,620

Unaudited condensed consolidated statement of changes in equity

For the six months ended 30 September 2015

	Share capital	Share premium	Merger reserve	Share options reserve	Warrants reserve	Available- for-sale investment revaluation reserve	Translations reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
At 1 April 2014 (audited)	16,517,760	182,167,594	(7,122,000)	4,811,474	203,180	—	(113,252)	75,006,698	271,471,454
Dividend paid	—	—	—	—	—	—	—	(4,955,328)	(4,955,328)
Issue of shares upon bonus issue	3,303,552	(3,303,552)	—	—	—	—	—	—	—
Expenses attributable to issue of shares	—	(36,900)	—	—	—	—	—	—	(36,900)
Lapse of warrants	—	—	—	—	(203,180)	—	—	203,180	—
Issue of warrants	—	—	—	—	1,200,000	—	—	—	1,200,000
Expenses attributable to issue of warrants	—	—	—	—	(274,500)	—	—	—	(274,500)
Recognition of equity-settled share based payment	—	—	—	32,489	—	—	—	—	32,489
Issue of share options	—	—	—	870,327	—	—	—	—	870,327
Other comprehensive expenses for the period	—	—	—	—	—	(1,918,220)	386,121	—	(1,532,099)
Profit for the period	—	—	—	—	—	—	—	25,688,564	25,688,564
At 30 September 2014 (unaudited)	19,821,312	178,827,142	(7,122,000)	5,714,290	925,500	(1,918,220)	272,869	95,943,114	292,464,007
At 1 April 2015 (audited)	20,063,020	179,991,821	(7,122,000)	5,578,169	694,125	(1,746,797)	1,662,122	101,636,160	300,756,620
Dividend paid	—	—	—	—	—	—	—	(2,430,075)	(2,430,075)
Issue of shares upon bonus issue	4,050,124	(4,050,124)	—	—	—	—	—	—	—
Exercise of pre-IPO share options	37,600	857,082	—	(214,122)	—	—	—	—	680,560
Exercise of warrants	150,000	2,904,413	—	—	(69,413)	—	—	—	2,985,000
Issue of shares by placing	4,050,000	77,355,000	—	—	—	—	—	—	81,405,000
Expenses attributable to issue of shares	—	(4,415,636)	—	—	—	—	—	—	(4,415,636)
Issue of share options	—	—	—	2,380,839	—	—	—	—	2,380,839
Other comprehensive expenses for the period	—	—	—	—	—	221,555	(72,762)	—	148,793
Profit for the period	—	—	—	—	—	—	—	26,538,361	26,538,361
At 30 September 2015 (unaudited)	28,350,744	252,642,556	(7,122,000)	7,744,886	624,712	(1,525,242)	1,589,360	125,744,446	408,049,462

Unaudited condensed consolidated statement of cash flows

For the six months ended 30 September 2015

	Six months ended 30 September	
	2015 HK\$ (unaudited)	2014 HK\$ (unaudited)
Net cash (used in)/generated from operating activities	(74,699,238)	23,936,286
Net cash used in investing activities	(98,192,270)	(15,226,915)
Net cash generated from financing activities	54,575,008	43,817,442
Effect of foreign exchange rate changes, net	(1,635,315)	30,094,137
Net (decrease)/increase in cash and cash equivalents	(119,951,815)	55,620,950
Cash and cash equivalents at 1 April	136,483,466	60,756,260
Cash and cash equivalents at 30 September, represented by bank balances and cash	16,531,651	116,377,210

Notes to the unaudited condensed consolidated financial statements

For the six months ended 30 September 2015

1. General information

UKF (Holdings) Limited (the “Company” together with its subsidiaries the “Group”) 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 Company is engaged in investment holding while the Group is principally engaged in trading of fur skins, fur skin brokerage and financing services and mink farming.

These condensed interim financial statements have been not audited.

2. Basis of preparation and accounting policies

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants.

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

The accounting policies and methods of computation used in the unaudited condensed consolidated financial statements for the six months ended 30 September 2015 are the same as those followed in the preparation of the Group’s financial information for year ended 31 March 2015 as included in the annual report 2015 of the Company.

3. 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) (the “Board”) in order to allocate resources to the segment and to assess its 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 three business units based on their products, and has three reportable and operating segments: trading of fur skins, fur skin brokerage and financing services, and mink farming.

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

	Six months ended 30 September	
	2015 HK\$ (unaudited)	2014 HK\$ (unaudited)
Trading of fur skins	120,406,186	142,969,487
Fur skin brokerage and financing services	15,896,103	16,927,362
Mink farming	21,359,841	13,729,694
	157,662,130	173,626,543

Geographical information

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

	Six months ended 30 September	
	2015 HK\$ (unaudited)	2014 HK\$ (unaudited)
PRC	93,192,731	148,968,690
Europe	59,714,690	13,729,694
Hong Kong	4,754,709	10,928,159
	157,662,130	173,626,543

4. Other income

	Six months ended 30 September	
	2015 HK\$ (unaudited)	2014 HK\$ (unaudited)
Bank interest income	36,950	42,009
Exchange gain, net	3,738,905	—
Rental income	—	78,400
Sundry income	3,021	14,406
Bonus and rebate from auction houses	215,612	52,190
	3,994,488	187,005

5. Finance costs

	Six months ended 30 September	
	2015 HK\$ (unaudited)	2014 HK\$ (unaudited)
Interest wholly repayable within five year:		
Trust receipt loan interest	1,563,691	1,316,039
Bank loans interest	899,562	641,602
Overdraft interest	80	34,289
Imputed interest on promissory note	—	1,219,642
Interest on finance lease	3,748	7,861
Corporate bond interest	275,000	274,998
Auction interest	149,199	215,117
	2,891,280	3,709,548

6. Profit before tax

	Six months ended 30 September	
	2015 HK\$ (unaudited)	2014 HK\$ (unaudited)
Profit before tax has been arrived at after charging:		
Cost of inventories recognized as expenses	131,818,835	131,465,555
Staff costs (including directors' remuneration)		
– Salaries and allowances	8,630,114	6,439,003
– Defined contribution retirement benefit scheme contributions	75,665	70,048
Exchange loss, net	–	5,079,088
Depreciation	3,794,832	1,858,559
Equity-settled share-based payments	2,380,839	902,816
Loss on fixed assets written off	–	1,100
Operating lease payments	451,959	419,956

7. Income tax expenses

	Six months ended 30 September	
	2015 HK\$ (unaudited)	2014 HK\$ (unaudited)
The charge comprises:		
Hong Kong Profits Tax	1,985,475	1,890,466
Other jurisdictions	–	–
	1,985,475	1,890,466
Deferred taxation	(33,738)	(486,118)
	1,951,737	1,404,348

- (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 23.5% for the period (2014: 24.5%).
- (iii) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and BVI.

8. Dividends

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: HK0.26 cents per share).

9. Earnings per share

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

	Six months ended 30 September	
	2015 HK\$ (unaudited)	2014 HK\$ (unaudited)
Profit attributable to the shareholders of the Company for the purpose of basic and diluted earnings per share	26,538,361	25,688,564
Number of shares:		
Weighted average number of ordinary shares for the purpose of the calculation of the basic earnings per share	2,235,579,722	2,107,774,489
Effect of dilutive potential ordinary shares:		
Share options	37,954,455	25,719,139
Warrants	47,768,600	14,029,730
Weighted average number of ordinary shares for the purpose of the calculation of the diluted earnings per share	2,321,302,777	2,147,523,358

10. Property, plant and equipment

During the six months ended 30 September 2015, the Group spent HK\$92,923,874 (six months ended 30 September 2014: HK\$3,522,681) on acquisition of property, plant and equipment.

11. Trade and other receivables

	30 September 2015 HK\$ (unaudited)	31 March 2015 HK\$ (audited)
Trade receivables	34,974,045	59,075,185
Commission receivables	—	2,954,232
Less: impairment losses on trade receivables	—	—
	34,974,045	62,029,417
Other receivables:		
Auctions deposit	4,513,129	2,824,688
Feed deposit	6,169,788	333,349
Prepayments	6,502,517	1,341,943
Rental deposit	159,675	153,275
Utilities deposit	26,000	33,600
Others	800,378	35,011
	53,145,532	66,751,283

The Group allows 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 period.

	30 September 2015 HK\$ (unaudited)	31 March 2015 HK\$ (audited)
0 – 60 days	9,785,900	40,596,172
61 – 90 days	25,188,145	19,929,582
91 – 120 days	—	966,598
Over 120 days	—	537,065
	34,974,045	62,029,417

12. Loan receivables

	30 September 2015 HK\$ (unaudited)	31 March 2015 HK\$ (audited)
Loan to customers	180,462,721	89,496,983
Accrued interest receivables	6,370,934	4,754,787
	186,833,655	94,251,770

The Group offered a credit period of 180 days from the date of the advancement to its customers at the interest rate of 0.8% per month. The Group maintained strict control over its outstanding loans to minimize the credit risk. Overdue balance is reviewed regularly by the management.

The loans represented about 70% of the purchase price of the relevant fur skins purchased by the customers in the auction houses which were secured by a lien over such fur skins purchased.

13. Trade and other payables

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

	30 September 2015 HK\$ (unaudited)	31 March 2015 HK\$ (audited)
0 – 60 days	–	–
61 – 90 days	–	4,711,246
91 – 120 days	3,131,701	–
Over 120 days	2,421,293	30,193,008
Trade payables	5,552,994	34,904,254
Other payables:		
Accruals	35,365,608	8,114,779
Rental deposit	35,844	26,091
Receipt in advance	408,671	16,813,985
	41,363,117	59,859,109

14. Bank borrowings

	30 September 2015 HK\$ (unaudited)	31 March 2015 HK\$ (audited)
Revolving loan	3,000,000	—
Term loans	78,376,325	43,464,153
Trust receipt loans	42,439,624	101,666,325
	123,815,949	145,130,478

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 years.

16. Share capital

	Notes	30 September 2015		31 March 2015	
		Number of shares	Nominal value of ordinary shares HK\$	Number of shares	Nominal value of ordinary shares HK\$
Authorised:					
Ordinary shares of HK\$0.01 each		10,000,000,000	100,000,000	2,500,000,000	25,000,000
Issued and fully paid:					
At the beginning of period/year		2,006,302,000	20,063,020	1,651,776,000	16,517,760
Exercise of Pre-IPO share options	(a)	3,760,000	37,600	2,960,800	29,608
Issue of shares upon exercise of warrants	(b)	15,000,000	150,000	50,000,000	500,000
Issue of shares upon bonus issue	(c)	405,012,400	4,050,124	330,355,200	3,303,552
Issue of shares by placing for cash	(d)	405,000,000	4,050,000	—	—
Shares buy-back		—	—	(28,790,000)	(287,900)
At the end of the reporting period/year		2,835,074,400	28,350,744	2,006,302,000	20,063,020

16. Share capital *(Continued)*

- (a) During the Period, 3,760,000 new ordinary shares of HK\$0.01 each were issued on exercise of 3,760,000 share options (the "Pre-IPO Share Options") under the pre-IPO share option scheme of the Company at an aggregate consideration of HK\$680,560, of which HK\$37,600 was credited to share capital and the remaining balance of HK\$642,960 was credited to the share premium account. In addition, an amount attribute to the related Pre-IPO Share Options of HK\$214,122 has been transferred from share options reserve to share premium account.
- (b) During the Period, 15,000,000 new ordinary shares of HK\$0.01 each were issued for cash on exercise of subscription rights by warrant holders at subscription price of HK\$0.199 per share at an aggregate consideration of HK\$2,985,000, of which HK\$150,000 was credited to share capital and the remaining balance of HK\$2,835,000 was credited to the share premium account. In addition, an amount attribute to the related warrants of HK\$69,413 has been transferred from warrants reserve to share premium account.
- (c) On 10 August 2015, the Company issued one bonus share for every five existing ordinary shares held on 31 July 2015. The issued share capital of the Company was therefore increased by 405,012,400 shares of HK\$0.01 each accordingly.

Upon the completion of the bonus issue, the share premium in the sum of approximately HK\$4,050,124 was credited to share capital and the same amount was debited to the share premium account.

- (d) On 27 August 2015, the Company issued and allotted 405,000,000 new ordinary shares of HK\$0.01 each pursuant to the placing at a price of HK\$0.201 each as a result of the top-up placing and subscription.

Management discussion and analysis

Financial review

Turnover

The Group's turnover for the six months ended 30 September 2015 was approximately HK\$157.7 million, representing a decrease of approximately 9.2% from approximately HK\$173.6 million of the corresponding period in 2014. The decrease in the turnover was mainly attributable to the decrease in fur skin prices as a result of decrease in demand of fur skins during the Period which outweighed the increase in turnover from the operation of mink farms in Denmark.

Cost of fur skins sold

The cost of fur skins sold amounted to approximately HK\$131.8 million for the six months ended 30 September 2015, representing an increase of approximately 0.3% from approximately HK\$131.5 million of the corresponding period in 2014. The increase in the cost of fur skins sold was mainly attributable to the higher purchase cost of inventories and the making of provision for inventories in response to the decrease in fur skin price during the Period.

Gross profit and gross profit margin

The gross profit of the Group were approximately HK\$25.8 million and HK\$42.2 million for the six months ended 30 September 2015 and 2014 respectively, representing a decrease of approximately 38.7%. The gross profit margin of the Group decrease from approximately 24.3% for the six months ended 30 September 2014 to approximately 16.4% for the six months ended 30 September 2015. The decrease in gross profit was primarily due to decrease in fur skin prices as a result of decrease in demand of fur skins during the six months ended 30 September 2015 and the higher purchase cost of inventories.

Other income and gain

Other income of the Group increased by approximately 2,036.0% from approximately HK\$0.2 million for the six months ended 30 September 2014 to approximately HK\$4.0 million for the six months ended 30 September 2015. Such increase was primarily due to the appreciation of HK\$ against Danish Kroner ("DKK"), which resulted in an increase in exchange gain during the Period as compared to an exchange loss incurred for the six months ended 30 September 2014.

Change in fair value less cost to sell of biological assets increased by around 172.0% from approximately HK\$10.7 million for the six months ended 30 September 2014 to approximately HK\$29.2 million for the six months ended 30 September 2015. The increase in change in fair value less cost to sell of biological assets was primarily due to increase in breeders and puppies from approximately 16,000 breeders and approximately 71,000 puppies as at 30 September 2014 to approximately 55,000 breeders and approximately 300,000 puppies as at 30 September 2015 through the acquisitions of 7 additional mink farms during the Period.

Administrative expenses

The administrative expenses of the Group increased by approximately 24.2% from approximately HK\$22.3 million for the six months ended 30 September 2014 to approximately HK\$27.7 million for the six months ended 30 September 2015. The increase in the administrative expenses of the Group for the six months ended 30 September 2015 was primarily due to (i) the increase in equity-settled share based payment arising from the grant of share options; and (ii) increase in depreciation, staff salaries, legal and professional fee and operation costs as a result of the acquisition of 7 additional mink farms in Denmark by the Group during the six months ended 30 September 2015 (31 March 2015: 5 mink farms).

Finance costs

The finance costs of the Group decreased by approximately 22.1% from approximately HK\$3.7 million for the six months ended 30 September 2014 to approximately HK\$2.9 million for the six months ended 30 September 2015. The decrease in the finance costs of the Group for the six months ended 30 September 2015 was primarily due to the fact that no imputed interest on promissory note were incurred during the six months ended 30 September 2015 as the promissory note has been fully repaid in 2014.

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\$16.5 million as at 30 September 2015 (as at 31 March 2015: approximately HK\$136.5 million). The decrease in bank balances and cash was primarily due to the use of funds for acquisition of 7 additional mink farms during the Period. The net assets of the Group as at 30 September 2015 were approximately HK\$408.0 million (as at 31 March 2015: approximately HK\$300.8 million).

During the Period, net proceeds of HK\$2,985,000 have been raised from the issue of 15,000,000 shares pursuant to the exercise of subscription rights by warrant holders and were used for general working capital for the Group's newly acquired mink farms in Denmark and provision of finance for its fur skin brokerage customers.

On 27 August 2015, the Group had allotted and issued 405,000,000 shares at HK\$0.201 per share with net proceeds of approximately HK\$77.2 million as a result of the top-up placing and subscription, the details of which had been disclosed in the announcement dated 16 August 2015. The net proceeds were used for general working capital and to fund the acquisition of mink farm in Denmark as well as potential acquisition of other businesses relating to the principal business of the Group.

As at 30 September 2015, the Group had bank borrowings, which represented trust receipt loans, revolving loan and term loans of approximately HK\$78.4 million, approximately HK\$3.0 million and approximately HK\$42.4 million respectively to finance its purchases of fur skins and general working capital. The Group has obtained the banking facilities of up to approximately HK\$202.4 million (31 March 2015: approximately HK\$181.4 million) with a corporate guarantee provided by the Company and the banking facilities are available subject to the restriction that (i) the net external gearing ratio shall not be more than 150% and (ii) 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 approximately 33.0% as at 30 September 2015 (31 March 2015: approximately 51.7%).

The Directors consider that the Group can meet the conditions of the banking facilities.

The Group adopts a conservative approach on foreign exchange exposure management and ensures that its exposure to fluctuations in foreign exchange rates is minimised.

During the Period, apart from the foreign currency forward contracts for HK\$ to DKK, the Group had not engaged in any financial instruments for hedging or speculative activities.

The Group has certain investments in foreign operations in Denmark, whose net assets are exposed to foreign currency risk. The impact of exchange rate fluctuations on the net assets of the Group's foreign operations is considered to be manageable as such impact will be offset by borrowings denominated in DKK.

Charge of assets

As at 30 September 2015, the Group charged the key management insurance contract which is classified as an available-for-sale investment of approximately HK\$10.3 million for bank borrowing (31 March 2015: HK\$10 million). In addition, the Group also charged certain plant and machinery, office equipment, motor vehicles, biological assets and inventories of approximately DKK10 million (equivalent to approximately HK\$11.6 million) to secure the cash advance granted to the Group.

Capital commitments

As at 30 September 2015, the Group did not have any significant capital commitments (31 March 2015: Nil).

Contingent liabilities

As at 30 September 2015, the Group granted corporate guarantees to secure general banking facilities up to approximately HK\$202.4 million. (31 March 2015: approximately HK\$181.4 million).

Material acquisitions or disposals and significant investments

During the Period, the Group had no material acquisitions or disposals and significant investments.

Employee information

As at 30 September 2015, the Group had a total of 36 staff including Directors (31 March 2015: 28). Staff costs including Director's remuneration amounted to approximately HK\$8.6 million for the six months ended 30 September 2015 (six months ended 30 September 2014: approximately HK\$6.4 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, options that may be granted under the pre-IPO share option scheme ("Pre-IPO Share Option Scheme") and share option scheme ("Share Option Scheme") of the Company, both adopted on 1 August 2012.

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 minimize the credit risk, management of the Group reviews the recoverable amount of each individual trade debt at each reporting date to ensure that appropriate and speedy follow up actions are taken in respect of overdue balances. In this regard, the Board of Directors consider that the Group's credit risk is significantly reduced.

Liquidity risk

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

Foreign currency risk

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

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

During the Period, the Group has certain investments in foreign operations in Denmark, whose net assets are exposed to foreign currency risk. The impact of exchange rate fluctuations on the net assets of the Group’s foreign operations is considered to be manageable as such impact will be offset by borrowings denominated in DKK.

Advances to the entities

Pursuant to the Rules 13.13 and 13.15 of the Rules (the “Listing Rules”) Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), a disclosure obligation arises where the relevant advance to the entities from the Group exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. As at 30 September 2015, Loyal Speed Limited, an indirect wholly owned subsidiary of the Company, has advanced 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 and the amounts due to the Group from the above customers exceeded 8% of the total assets of the Group (approximately HK\$590.9 million).

The table below sets out the details of the FSC Loans and MF Loans as at 30 September 2015:

	FSC Loans	MF Loans
Amount due to the Group	HK\$107,212,509	HK\$38,866,183
Credit Term	180 days	180 days
Interest Rate	0.8% per month	0.8% per month
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 for the purpose of providing incentives to eligible employees (including Directors) and any advisers or consultants who contributes to the success of the Group.

The Directors have estimated the values of the share options granted, calculated using the binomial option pricing model as at the date of grant of the options. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself.

The value of an option varies with different variables of certain subjective assumptions. Any changes to the variables used may materially affect the estimation of the fair value of an option.

The following share options were outstanding under the Pre-IPO Share Option Scheme during the six months ended 30 September 2015:

Name or category of participant	Number of Shares to be allotted and issued under the share options					As at 30 September 2015	Date of grant of share options	Exercise price of share options (Note 1) HK\$	Exercise period of share options
	As at 1 April 2015	Granted during the Period	Exercised during the Period	Lapsed during the Period	Adjusted number of share options (Note 1)				
<i>Directors</i>									
Mr. WONG Chun Chau	28,915,200	–	–	–	5,783,040	34,698,240	1 August 2012	0.120	(Note 2)
Ms. KWOK Yin Ning	19,008,000	–	–	–	3,801,600	22,809,600	1 August 2012	0.120	(Note 2)
<i>Consultant</i>	13,824,000	–	–	–	2,764,800	16,588,800	1 August 2012	0.151	(Note 3)
<i>Employees</i>	4,642,400	–	(3,760,000)	–	176,480	1,058,880	1 August 2012	0.151	(Note 4)
	66,389,600	–	(3,760,000)	–	12,525,920	75,155,520			

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 name appeared on the register of members of the Company on 31 July 2015.
- (i) Half of such share options are exercisable after the expiry of 6 months from the date of grant, (ii) outstanding share options up to all such share options are exercisable after the expiry of 18 months from the date of grant. In any event, no option can be exercised after the expiry of 120 months from the date of grant.
- All such share options are exercisable after the expiry of 9 months but not later than the end of 120 months from the date of grant.
- (i) One-third of such share options are exercisable after the expiry of 8 months from the date of grant, (ii) outstanding share options up to two-third of all such share options are exercisable after the expiry of 20 months from the date of grant, and (iii) outstanding share options up to all such share options are exercisable after the expiry of 32 months from the date of grant. In any event, no option can be exercised after the expiry of 120 months from the date of grant.

The following share options were outstanding under the Share Option Scheme during the six months ended 30 September 2015:

Name or category of participant	Number of Shares to be allotted and issued under share options					Adjusted number of share options (Note 1)	As at 30 September 2015	Date of grant of share options	Exercise price of share options (Note 1) HK\$	Exercise period of share option
	As at 1 April 2015	Granted during the Period	Exercised during the Period	Lapsed during the Period						
<i>Directors</i>										
Mr. WONG Chun Chau	14,700,000	—	—	(17,640,000)	2,940,000	—	13 August 2013	0.283	(Note 2)	
	6,000,000	—	—	—	1,200,000	7,200,000	14 August 2014	0.182	(Note 2)	
	—	17,000,000	—	—	—	17,000,000	18 August 2015	0.249	(Note 2)	
Ms. KWOK Yin Ning	13,000,000	—	—	—	2,600,000	15,600,000	13 August 2014	0.188	(Note 2)	
	—	24,000,000	—	—	—	24,000,000	18 August 2015	0.249	(Note 2)	
<i>Employees</i>	480,000	—	—	—	96,000	576,000	13 August 2014	0.188	(Note 2)	
	—	900,000	—	—	—	900,000	18 August 2015	0.249	(Note 2)	
	<u>34,180,000</u>	<u>41,900,000</u>	<u>—</u>	<u>(17,640,000)</u>	<u>6,836,000</u>	<u>65,276,000</u>				

Note:

- The number and the exercise price of the Share Options were adjusted as a result of the issue of one bonus share for every five then existing shares held by qualifying shareholders whose name appeared on the register of members of the Company on 31 July 2015.
- The above share options are exercisable within 24 months after the date of grant.

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

As at 30 September 2015, the following Directors or the chief executive of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong) ("SFO") which (i) were 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) had to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code").

Long position in Shares

Name	Nature of Interest	Number of Shares	Approximate Percentage of Shareholding in the Company
Mr. WONG Chun Chau (Note 1)	Interest of controlled corporation	1,253,232,000	44.20%
	Beneficial owner	28,339,200	1.00%
Ms. KWOK Ying Ning	Beneficial owner	18,662,400	0.66%
Mr. Jean-pierre PHILIPPE (Note 2)	Interest of controlled corporation	2,332,800	0.08%
	Beneficial owner	3,420,000	0.12%
	Interest held jointly with another person	2,480,000	0.09%

Note 1: Under the SFO, Mr. Wong is deemed to be interested in 1,253,232,000 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 2,332,800 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	Number of Shares may be allotted and issued upon the exercise of 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	58,898,240	2.08%	1.98%
Ms. KWOK, Yin Ning	Beneficial owner	62,409,600	2.20%	2.10%

Save as disclosed above, neither of the Directors nor the Chief Executives of the Company had interests and or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) were 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) had to be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 30 September 2015, the following parties (in addition to the Directors and chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were recorded in the register of interests required to be kept by the Company under section 336 of the SFO:

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 (Notes 1 and 2)	Beneficial owner	1,253,232,000	44.20%
Carafe Investment Company Limited (Note 3)	Beneficial owner	167,517,400	5.91%

Notes

- 1 Mr. Wong Chun Chau is deemed to be interested in 1,253,232,000 shares held by Trader Global Investments Limited, a company wholly and beneficially owned by him, for the purpose of the SFO.
- 2 Mr. Wong Chun Chau is also the sole director of Trader Global Investments Limited.
- 3 Mr. Merzbacher Werner is deemed to be interested in 167,517,400 shares held by Carafe Investment Company Limited, a company wholly and beneficially owned by him, for the purpose of the SFO.

Save as disclosed above, as at 30 September 2015, the Directors are not aware of any persons (other than the Directors or chief executive of the Company) who have interests or short positions in the shares or underlying shares of the Company which were recorded in the register of interests required to be kept by the Company under section 336 of the SFO.

Purchase, sale or redemption of listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 September 2015.

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 14 to the Listing Rules for the six months ended 30 September 2015.

Securities transactions by directors

The Company has adopted a code of conduct regarding securities transactions by Directors (“Securities Dealings Code”) on terms no less exacting than the Model Code that set out in Appendix 10 to 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 Securities Dealings Code during the six months ended 30 September 2015.

Competing interests

None of the Directors, controlling shareholders of the Company and their respective associates (as defined in the Listing Rules) had any interests in any business which compete or may compete with the business of the Group or any other conflicts of interest which such person has or may have with the Group as at 30 September 2015.

Audit committee

The Company has established an audit committee (the “Audit Committee”) with written terms of reference in compliance with the 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. Lau Siu Ki, Mr. Tang Tat Chi and Mr. Jean-pierre Philippe, all of whom are independent non-executive Directors. The Group’s unaudited consolidated results for the six months ended 30 September 2015 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 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, 26 November 2015

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:

Lau Siu Ki
Tang Tat Chi
Jean-pierre Philippe