



UKF (HOLDINGS) LIMITED

英裘(控股)有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1468



Interim Report 2017

Contents

Corporate Information	2
Chairman's Statement	3
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4
Unaudited Condensed Consolidated Statement of Financial Position	5
Unaudited Condensed Consolidated Statement of Changes in Equity	6
Unaudited Condensed Consolidated Statement of Cash Flows	7
Notes to Condensed Interim Financial Information	8
Management Discussion and Analysis	24

CORPORATE INFORMATION

Board of directors

Executive Directors

Mr. WONG Chun Chau (*Chairman*)

Ms. KWOK Yin Ning (*Chief Executive Officer*)

Independent Non-Executive Directors

Ms. MAK Yun Chu

Mr. HUNG Wai Che

Mr. TANG Tat Chi

Company secretary

Mr. LAM Chi Tat

Authorised representatives

Mr. WONG Chun Chau

Ms. KWOK Yin Ning

Audit committee

Ms. MAK Yun Chu (*Chairperson*)

Mr. HUNG Wai Che

Mr. TANG Tat Chi

Remuneration committee

Mr. HUNG Wai Che (*Chairperson*)

Ms. MAK Yun Chu

Mr. TANG Tat Chi

Nomination committee

Mr. TANG Tat Chi (*Chairperson*)

Ms. MAK Yun Chu

Mr. HUNG Wai Che

Mr. WONG Chun Chau

Website

www.ukf.com.hk

Auditor

HLM CPA Limited

Principal bankers

The Hongkong and Shanghai Banking Corporation Limited

CTBC Bank Co. Limited

Nanyang Commercial Bank, Limited

DBS Bank (Hong Kong) Limited

Share registrars and transfer offices

Principal Registrar

Codan Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman

KY1-1111, Cayman Islands

Hong Kong Branch Registrar

Tricor Investor Services Limited

Level 22, Hopewell Centre

183 Queen's Road

Hong Kong

Registered office

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman

KY1-1111

Cayman Islands

Head office and principal place of business

902, Harbour Centre, Tower 2

8 Hok Cheung Street, Hunghom

Kowloon, Hong Kong

Stock code

1468

Listing Dates

24 August 2012 (Growth Enterprise Market)

20 March 2015 (Main Board)

CHAIRMAN'S STATEMENT

Business Review

Fur Business

For fur skin business, it started on a strong note which resulted in a very good selling prices for the Copenhagen Fur Auction in February 2017. However, due to the excess of fur garments leftover after the Chinese New Year holiday and the weak demand of fur, the skin prices from the following worldwide auctions in April, May, June, July and September were disappointing. The average price of mink skins from this 2017 season were still below the farming costs, resulting in recent bankruptcy filing by a few farms in Europe and Scandinavia.

Under this weak fur demand environment, the Group employed a very conservative attitude to scale down the business in our fur skin trading division to keep our loss to a minimum.

For skin brokerage and financing business, it continued to be difficult as it has been under a hit by some Mainland Chinese fur brokers undercutting everyone by dropping their commission rate by over 50%. For mink farming business, it was not satisfactory either for reason of the weak demand of fur that lead to a lower market price of mink skins. As a result, the UKF (Denmark) A/S had to cut costs and maintain control of our mink breeding to narrow down losses.

Securities Business

On 20 January 2017, the Group successfully completed the acquisition of Great Roc Capital Securities Limited ("Great Roc") which is permitted to carry out Type 1 (Dealing in Securities) and Type 4 (Advising on Securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Benefited by the bullish market sentiment, the securities business (including securities brokerage, share placement services and margin financing business) contributed approximately HK\$39.8 million revenue during the six months ended 30 September 2017.

Prospect

These coming months ahead will be a big challenge to the fur trade as the weather will be a big factor to see if it will be cold enough to make customers to buy fur garment, so to get rid of the big inventory in China. One bad news is that a couple of famous brands already stated that they will not use fur in their fall and winter collections. However, our strong point in the fur business is that our Danish mink farms have trimmed our cost down to a minimum and Danish mink farming is still the source of the best mink in the world.

The securities brokerage business is growing inspiringly and we expect that this segment would become a major revenue driver of the Group. Looking ahead, the Group is taking this business as the first step of building and expanding its presence in the financial services sector. In fact, the Group has injected further capital in Great Roc and the increased its share capital ("Capital Injection") to HK\$200 million. Through Capital Injection, Great Roc can further strengthen its capital base and increase its commitments on securities brokerage business. The Group will continue to expedite the development of its new financial business segment and explore other business and investment opportunities in the financial service sector with a view to enhance the Group's future development.

The board of directors (the “Board”) of the Company is pleased to present the unaudited consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 September 2017 together with the comparative figures for the corresponding period in 2016, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Revenue	3	106,577,055	75,798,426
Cost of sales		(67,736,894)	(70,794,394)
Gross profit		38,840,161	5,004,032
Other income	4	19,499,927	208,533
Change in fair value less cost to sell of biological assets		22,956,427	30,307,553
Administrative expenses		(53,371,180)	(33,112,978)
Finance costs	5	(5,993,232)	(2,101,140)
Profit before tax	6	21,932,103	306,000
Income tax expenses	7	(4,394,113)	(310,732)
Profit (loss) for the period and attributable to owners of the Company		17,537,990	(4,732)
Other comprehensive (expense) income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Change in fair value of available-for-sale investment		198,871	215,781
Exchange difference on translation of financial statements of overseas operations		(4,446,203)	722,993
Other comprehensive (expenses) income for the period, net of tax		(4,247,332)	938,774
Total comprehensive income for the period and attributable to the owners of the Company		13,290,658	934,042
Earnings (loss) per share (cents)	9		
Basic		0.43	—
Diluted		0.42	—

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2017

	Notes	30 September 2017 HK\$ (unaudited)	31 March 2017 HK\$ (audited)
Non-current assets			
Property, plant and equipment	10	126,953,863	123,520,966
Goodwill		125,926,167	125,926,167
Intangible assets	10	500,000	500,000
Available-for-sale investment		11,059,476	10,860,605
Deposits	11	1,115,094	1,519,464
		265,554,600	262,327,202
Current assets			
Biological assets		80,445,428	32,570,784
Inventories		23,864,295	59,885,918
Trade and other receivables	11	318,098,258	264,334,383
Loan receivables	12	—	5,922,036
Tax recoverable		1,536,181	1,657,494
Bank balances held on behalf of clients		44,844,888	85,007,587
Bank balances and cash		127,913,438	128,725,579
		596,702,488	578,103,781
Current liabilities			
Trade and other payables	13	70,060,622	104,819,571
Tax payables		10,408,153	5,988,669
Bank borrowings	14	98,126,635	168,155,950
Obligations under finance leases		303,137	276,661
		178,898,547	279,240,851
Net current assets		417,803,941	298,862,930
Total assets less current liabilities		683,358,541	561,190,132
Non-current liabilities			
Obligations under finance leases		483,768	382,319
Corporate bond	15	10,000,000	10,000,000
Promissory note	16	95,872,111	123,831,499
		106,355,879	134,213,818
Net assets		577,002,662	426,976,314
Capital and reserves			
Share capital	17	45,569,230	39,110,340
Reserves		531,433,432	387,865,974
Total equity		577,002,662	426,976,314

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2017

	Share capital HK\$	Share premium HK\$	Merger reserve HK\$	Share option reserve HK\$	Warrants reserve HK\$	Investments revaluation reserve HK\$	Translation reserve HK\$	Retained profit (accumulated losses) HK\$	Total HK\$
At 1 April 2016 (audited)	28,350,744	252,642,555	(7,122,000)	6,963,342	624,713	(1,366,326)	486,741	5,545,860	286,125,629
Exercise of share options	233,760	4,988,055	—	(870,327)	—	—	—	—	4,351,488
Exercise of warrants	1,659,948	25,855,906	—	—	(624,693)	—	—	—	26,891,161
Warrants lapsed	—	—	—	—	(20)	—	—	20	—
Other comprehensive income for the period	—	—	—	—	—	215,781	722,993	—	938,774
Loss for the period	—	—	—	—	—	—	—	(4,732)	(4,732)
At 30 September 2016 (unaudited)	30,244,452	283,486,516	(7,122,000)	6,093,015	—	(1,150,545)	1,209,734	5,541,148	318,302,320
At 1 April 2017 (audited)	39,110,340	486,815,249	(7,122,000)	5,305,777	—	(1,008,832)	2,701,606	(98,825,826)	426,976,314
Issue of shares by subscription	6,048,890	120,477,800	—	—	—	—	—	—	126,526,690
Exercise of share options	410,000	12,123,075	—	(2,324,075)	—	—	—	—	10,209,000
Share options lapsed	—	—	—	(31,535)	—	—	—	31,535	—
Other comprehensive expense for the period	—	—	—	—	—	198,871	(4,446,203)	—	(4,247,332)
Profit for the period	—	—	—	—	—	—	—	17,537,990	17,537,990
At 30 September 2017 (unaudited)	45,569,230	619,416,124	(7,122,000)	2,950,167	—	(809,961)	(1,744,597)	(81,256,301)	577,002,662

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2017

	Six months ended	
	30 September	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Net cash used in operating activities	(7,944,281)	(28,702,147)
Net cash used in investing activities	(837,013)	(1,453,719)
Net cash generated from financing activities	25,958,308	31,942,995
Effect of foreign exchange rate changes, net	(17,989,155)	1,806,466
Net (decrease) increase in cash and cash equivalents	(812,141)	3,593,595
Cash and cash equivalents at 1 April	128,725,579	66,138,753
Cash and cash equivalents at 30 September, represented by bank balances and cash	127,913,438	69,732,348

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

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.

2(a).Basis of Preparation and Accounting Policies

This unaudited condensed consolidated interim financial information for the six months ended 30 September 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

This unaudited condensed consolidated interim financial information should be read in conjunction with the Group’s annual financial statements for the year ended 31 March 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 March 2017. The application of the new Interpretation and amendments to HKFRSs in the current interim period has had no material effect on the amounts reported in these unaudited condensed consolidated interim financial statements and/or disclosures set out in these unaudited condensed consolidated interim financial statements.

The Group has not early adopted the new HKFRSs that have been issued but are not yet effective. The directors of the Company are currently assessing the impact of these new HKFRSs but are not yet in a position to state whether they would have material financial impact on the Group’s results of operations and financial position.

2(b).Financial Risk Management

The Group’s activities expose it to a variety of financial risks: market risk (including foreign currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk, liquidity risk and fair value risk.

The unaudited condensed consolidated interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements as at 31 March 2017.

There have been no changes in the risk management policies since the last year end.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

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 performance of the goods and services delivered or provided for the purpose of resources allocation and performance assessment and considered that the Group operates in four business units based on their products, and has four reportable and operating segments: trading of fur skins, fur skins brokerage, mink farming and securities brokerage.

Segment revenue and results

The following is an analysis of the Group’s revenue and results by reportable segments:

Six months ended 30 September 2017

	Trading of fur skins HK\$	Fur skins brokerage HK\$	Mink farming HK\$	Securities brokerage HK\$	Total HK\$
REVENUE	14,845,728	691,297	51,277,056	39,762,974	106,577,055
RESULTS					
Segment results	33,966	691,297	(1,648,076)	39,762,974	38,840,161
Other income	25,519	71,416	145,504	462,586	705,025
Change in fair value less cost to sell of biological assets	—	—	22,956,427	—	22,956,427
Write back of allowance for bad and doubtful debts	—	—	—	825,732	825,732
Bad debts	—	(3,040,805)	—	—	(3,040,805)
Unallocated corporate expenses					(32,361,205)
Finance costs					(5,993,232)
Profit before tax					21,932,103
Income tax expenses					(4,394,113)
Profit for the period					17,537,990

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

3. Segment Information *(Continued)*

Six months ended 30 September 2016

	Trading of fur skins HK\$	Fur skins brokerage HK\$	Mink farming HK\$	Securities brokerage HK\$	Total HK\$
REVENUE	24,707,863	4,277,444	46,813,119	—	75,798,426
RESULTS					
Segment results	3,201,713	4,277,444	(2,475,125)	—	5,004,032
Other income	93,845	111,992	2,696	—	208,533
Change in fair value less costs to sell of biological assets	—	—	30,307,553	—	30,307,553
Allowance for bad and doubtful debts	—	(1,206,373)	—	—	(1,206,373)
Unallocated corporate expenses					(31,906,605)
Finance costs					(2,101,140)
Profit before tax					306,000
Income tax expenses					(310,732)
Loss for the period					(4,732)

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

3. Segment Information *(Continued)*

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segments for the period/year:

At 30 September 2017

	Trading of fur skins HK\$	Fur skins brokerage HK\$	Mink farming HK\$	Securities brokerage HK\$	Total HK\$
ASSETS					
Segment assets	24,380,225	—	214,570,082	472,128,962	711,079,269
Unallocated corporate assets					151,177,819
Total assets					862,257,088
LIABILITIES					
Segment liabilities	7,056,693	—	51,940,747	104,211,338	163,208,778
Unallocated corporate liabilities					122,045,648
Total liabilities					285,254,426

At 31 March 2017

	Trading of fur skins HK\$	Fur skins brokerage HK\$	Mink farming HK\$	Securities brokerage HK\$	Total HK\$
ASSETS					
Segment assets	38,196,818	5,971,949	199,111,917	446,607,478	689,888,162
Unallocated corporate assets					150,542,821
Total assets					840,430,983
LIABILITIES					
Segment liabilities	31,120,261	—	45,123,493	186,643,219	262,886,973
Unallocated corporate liabilities					150,567,696
Total liabilities					413,454,669

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

3. Segment Information *(Continued)*

Geographical information

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

	Six months ended 30 September	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
The People's Republic of China	1,749,076	28,985,307
Europe	65,065,005	46,813,119
Hong Kong	39,762,974	—
	106,577,055	75,798,426

4. Other Income

	Six months ended 30 September	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Bank interest income	20,458	4,203
Exchange gain, net	17,967,125	—
Handling income	324,190	—
Gain on disposal of property, plant and equipment, net	18,107	—
Write back of allowance for bad and doubtful debts	825,732	—
Sundry income	262,709	89,828
Bonus and rebate from auction houses	81,606	114,502
	19,499,927	208,533

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

5. Finance Costs

	Six months ended 30 September	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited) (restated)
Interest on:		
Bank loans	1,851,454	1,096,774
Overdraft	1,017	729,305
Finance leases	3,011	61
Corporate bond	275,000	275,000
Auction (Note a)	234,391	—
Promissory note (imputed)	3,582,582	—
Cash clients' accounts	1,352	—
Margin clients' accounts	6,058	—
Other financial institution	38,367	—
	5,993,232	2,101,140

Note a: Auction interest is the auction prompt interest paid to auction houses for the overdue payment.

6. Profit Before Tax

Profit before tax has been arrived at after (crediting) charging:

	Six months ended 30 September	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Cost of inventories recognised as expenses	67,600,358	70,794,394
Staff costs (including directors' remuneration)		
— salaries and allowances	14,995,797	12,037,656
— retirement benefit scheme contributions	152,453	60,870
Net foreign exchange (gain) loss	(17,967,125)	2,115,050
Depreciation	8,059,219	6,449,220
Bad debts	3,040,805	—
Write back of allowance for bad and doubtful debts	(825,732)	—
Gain on disposal of property, plant and equipment, net	(18,107)	—
Loss on early redemption of promissory note	5,158,029	—
Loss on fixed assets written off	—	89
Operating lease payments	2,723,624	820,826

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

7. Income Tax Expenses

The charge comprises:

	Six months ended 30 September	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Current tax		
Hong Kong Profits Tax	4,394,113	310,732
	4,394,113	310,732
Deferred tax expense		
Current period	—	—
Total income tax expenses for the period	4,394,113	310,732

- (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 Corporate Tax at 22% for the period (2016: 22%).
- (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 2017 (six months ended 30 September 2016: nil).

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

9. Earnings (Loss) Per Share

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

	Six months ended 30 September	
	2017 HK\$ (unaudited)	2016 HK\$ (unaudited)
Profit (loss) attributable to the owners of the Company for the purpose of basic and diluted earnings (loss) per share	17,537,990	(4,732)
	Number of shares	Number of shares
Weighted average number of ordinary shares for the purpose of the calculation of the basic earnings (loss) per share	4,104,592,031	2,912,466,346
Effect of dilutive potential ordinary shares: Share options	30,415,426	N/A
Weighted average number of ordinary shares for the purpose of the calculation of the diluted earnings (loss) per share	4,135,007,457	2,912,466,346

No adjustment was made in calculating diluted loss per share for period ended 30 September 2016 as the exercise of warrants and share options would result in decrease in loss per share. Accordingly, the diluted loss per share is same as the basic loss per share.

10. Property, Plant and Equipment/Intangible Assets

During the six months ended 30 September 2017, the Group spent HK\$858,422 (six months ended 30 September 2016: HK\$868,656) on acquisition of property, plant and equipment and no significant disposal of property, plant and equipment noted (six months ended 30 September 2016: nil).

The Group had no acquisition and disposal of intangible assets for the six months ended 30 September 2017 and 2016.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

11. Trade and Other Receivables/Deposits

	30 September 2017 HK\$ (unaudited)	31 March 2017 HK\$ (audited) (restated)
Trade receivables from:		
Securities brokerage business (Note a)		
— Cash clients	9,175,027	12,545,091
— Margin clients	284,318,178	218,352,906
— Clearing house	3,106,809	85,936
Trading of fur skins, fur skins brokerage and mink farming business (Note b)	11,944,614	26,396,503
	308,544,628	257,380,436
Less: Allowance for bad and doubtful debts	—	(825,732)
	308,544,628	256,554,704
Other receivables and deposits:		
Amount due from brokers	266,155	265,880
Deposits with auction houses and suppliers	6,984,691	3,207,500
Prepayment	977,452	1,581,825
Rental, utilities and other deposits	1,023,255	1,244,464
Statutory deposit	275,000	275,000
Consideration receivable for disposal of motor vehicle	—	2,480,000
Others	1,142,171	244,474
	319,213,352	265,853,847
Analysis for reporting purpose as:		
Current assets — Trade and other receivables	318,098,258	264,334,383
Non-current assets — Deposits	1,115,094	1,519,464
	319,213,352	265,853,847

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

11. Trade and Other Receivables/Deposits (Continued)

Notes:

- (a) The normal settlement terms of trade receivables from cash clients and a clearing house arising from the ordinary course of business of securities brokerage services are two trading days after the trade date.

Cash client receivables which are past due but not impaired bear interest at interest rates by reference to Hong Kong prime rate plus certain basis points based on management's discretion, normally at Hong Kong prime rate plus 7%.

Trade receivables due from margin clients are repayable on demand. Margin client receivables, except for pending trade settlement, bear interest at interest rates by reference to Hong Kong prime rate plus certain basis points based on management's discretion, normally at Hong Kong prime rate plus 3%. The majority of trade receivables are secured and covered by clients' pledged securities, which are publicly traded securities listed in Hong Kong. As at 30 September 2017, the fair values of the pledged securities amounted to approximately HK\$1,105,052,411. Securities are assigned with specific margin ratios for calculating their margin values. Additional funds or collaterals are required if the amount of trade receivables outstanding exceeds the eligible margin value of securities deposited.

Trade receivables from clearing houses represent trades pending settlement arising from the business of securities brokerage, which are normally due within two trading days after the trade date.

- (b) The Group allows a credit period ranging from 0 day to 120 days to its customers in trading of fur skins business, fur skin brokerage business and mink farming business.

The aging analysis of the Group's trade receivables from business of securities brokerage, net of allowance for bad and doubtful debts, are as follows:

	30 September 2017 HK\$ (unaudited)	31 March 2017 HK\$ (audited)
Neither past due nor impaired	287,424,987	217,613,110
Past due but not impaired	9,175,027	12,545,091
	296,600,014	230,158,201

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

11. Trade and Other Receivables/Deposits *(Continued)*

The aging analysis of the Group's trade receivables from business of securities brokerage which are past due but not impaired are as follows:

	30 September 2017 HK\$ (unaudited)	31 March 2017 HK\$ (audited)
Past due within one month	4,874,908	8,297,319
Past due from one month to three months	4,300,119	4,247,772
	9,175,027	12,545,091

The following is an aged analysis of trade receivables from business of trading of fur skins, fur skins brokerage and mink farming presented based on invoice date at the end of the reporting period.

	30 September 2017 HK\$ (unaudited)	31 March 2017 HK\$ (audited)
0 - 60 days	11,944,614	12,985,543
61 - 90 days	—	10,110,635
91 - 120 days	—	3,277,805
Over 120 days	—	22,520
	11,944,614	26,396,503

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

12. Loan Receivables

	30 September 2017 HK\$ (unaudited)	31 March 2017 HK\$ (audited)
Loan to customers	—	10,467,192
Less: Allowance for bad and doubtful debts on individual assessment	—	(5,233,596)
	—	5,233,596
Accrued interest receivables	—	688,440
	—	5,922,036

As at 31 March 2017, the Group offered a credit period of 180 days for the loans to its customers in fur skin brokerage business with interest rate of 4.8% per annum. The Group maintains strict control over its outstanding loans to minimise credit risk. Overdue balance is reviewed regularly by management. Allowance for bad and doubtful debts is recognised against loans receivables that was overdue based on estimated irrecoverable amount at the end of the reporting period.

As at 31 March 2017, loan receivables disclosed above include amounts which are past due at the end of reporting period for which the Group has not recognised an allowance for bad and doubtful debts for such amounts because the loan receivables were secured by a lien over the fur skins purchased by such loans and are still considered recoverable.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

13. Trade and Other Payables

	30 September 2017 HK\$ (unaudited)	31 March 2017 HK\$ (audited)
Trade payables from:		
Securities brokerage business (Note a)		
— Cash clients	30,952,701	24,567,813
— Margin clients	18,126,882	51,509,899
— Clearing house	15,131,755	10,565,507
Trading of fur skins and mink farming business (Note b)	870,805	8,087,804
	65,082,143	94,731,023
Other payables:		
Accruals	3,268,726	5,936,576
Value-added tax payable	919,503	1,894,713
Other operating expenses payables	645,967	2,239,376
Others	144,283	17,883
	70,060,622	104,819,571

The following is an aged analysis of the Group's trade payables from business of trading of fur skins and mink farming business presented based on the invoice date at the end of the reporting period:

	30 September 2017 HK\$ (unaudited)	31 March 2017 HK\$ (audited)
0 - 60 days	870,805	5,569,215
61 - 90 days	—	—
91 - 120 days	—	—
Over 120 days	—	2,518,589
	870,805	8,087,804

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

13. Trade and Other Payables (Continued)

Notes:

- (a) Trade payables to securities brokerage clients represent the monies received from and repayable to brokerage clients in respect of the trust and segregated bank balances received and held for clients in the course of the conduct of regulated activities. However, the Group does not have a currently enforceable right to offset these payables with those balances received.

The majority of the trade payables balance are repayable on demand except for certain balances relating to margin deposits received from clients for their trading activities under the normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

The trade payables from the securities brokerage business are normally settled within two trading days after the trade date except for the money held on behalf of clients at the segregated bank accounts which is repayable on demand. The money held on behalf of clients at the segregated bank accounts carries interest at prevailing interest rate of 0.01% per annum.

No aging analysis is disclosed as, in the opinion of directors, an aging analysis does not give additional value in view of the nature of the business.

- (b) The Group normally settles the trade payables from fur skins and mink farming business within 21 days of the credit term.

14. Bank Borrowings

	30 September 2017 HK\$ (unaudited)	31 March 2017 HK\$ (audited)
Trust receipt loans	—	9,882,179
Term loans	58,126,635	58,273,771
Revolving loans	40,000,000	100,000,000
	98,126,635	168,155,950

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 which will be due on 18 November 2019.

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

16. Promissory Note

The movements during the period are:

	HK\$
Issued on 20 January 2017	122,196,000
Imputed interest	1,635,499
As at 31 March 2017 (audited)	123,831,499
Early redemption of promissory note	(31,541,970)
Imputed interest	3,582,582
As at 30 September 2017 (unaudited)	95,872,111

The promissory note was issued by the Company in connection with the acquisition of the entire issued share capital of Great Roc Capital Securities Limited on 20 January 2017. The promissory note represented part of the consideration for the acquisition.

The promissory note is non-interest bearing and payable on maturity in July 2019. The fair value of the promissory note in principal amount of HK\$145,500,000 was HK\$122,196,000 as at the issue date (i.e. 20 January 2017), based on valuation. The effective interest rate of the promissory note is determined to be 7.18% per annum. The fair value of the promissory note, which are within Level 3 of the fair value hierarchy, is determined by using the discounted cash flow method, with the following key assumptions:

Time to maturity	2.52 years
Discount rate	7.18%

NOTES TO CONDENSED INTERIM FINANCIAL INFORMATION

17. Share Capital

	30 September 2017		31 March 2017	
	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	10,000,000,000	100,000,000
Issued and fully paid:				
At the beginning of period/year	3,911,034,015	39,110,340	2,835,074,400	28,350,744
Exercise of share options	41,000,000	410,000	39,964,800	399,648
Issue of shares upon exercise of warrants	—	—	165,994,815	1,659,948
Issue of shares by subscription	604,889,000	6,048,890	210,000,000	2,100,000
Issue of consideration shares	—	—	660,000,000	6,600,000
At the end of the reporting period/year	4,556,923,015	45,569,230	3,911,034,015	39,110,340

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2017, revenue of the Group was approximately HK\$106.6 million, representing an increase of 40.6% (2016: approximately HK\$75.8 million). The increase in revenue was mainly attributable to (i) the newly acquired securities brokerage business which contribute six months' revenue of approximately HK\$39.8 million, and partially offset by (ii) decrease in revenue generated from trading of fur skins due to the shrinking in trading volume of fur skin. The Group's gross profit was approximately HK\$38.8 million (2016: approximately HK\$5.0 million).

Change in fair value of biological assets was approximately HK\$23.0 million, representing a decrease of 24.3% or approximately HK\$7.4 million compared with approximately HK\$30.3 million of last year's corresponding period.

General and administrative expenses was approximately HK\$53.4 million, representing an increase of 61.2% or approximately HK\$20.3 million compared with approximately HK\$33.1 million of last year's corresponding period. The increase was mainly due to the additional expenses incurred by the acquired securities brokerage business.

Other income for the period was HK\$19.5 million compared to HK\$0.2 million for the corresponding period last year. The increase was mainly due to the exchange gain of approximately HK\$18.0 million arising on the translation of foreign currencies monetary asset.

As a result of the above, the Group recorded a profit of approximately HK\$17.5 million from its operations for the six months ended 30 September 2017 (2016: loss of approximately HK\$5,000).

As at 30 September 2017, the Group's inventory valued at approximately HK\$23.9 million (31 March 2017: approximately HK\$59.9 million) and the biological assets valued at approximately HK\$80.4 million (31 March 2017: approximately HK\$32.6 million). The pattern is consistent with previous years that the biological assets will transform into inventories in later of the year. The trade and other receivables amounted to approximately HK\$318.1 million (31 March 2017: approximately HK\$264.3 million). The increase in trade and other receivables was due to increase in more margin trading carried out by the customers which the trade receivables from margin clients increased to approximately HK\$284.3 million (31 March 2017: approximately HK\$218.4 million).

Liquidity, Financial Resources and Capital Structure

The Group generally finances its operations with internally generated cash flow, bank borrowings and exercise of warrants and share options. The Group maintained bank balances and cash of approximately HK\$127.9 million as at 30 September 2017 (as at 31 March 2017: approximately HK\$128.7 million) and is comparable to last period. The net assets of the Group as at 30 September 2017 were approximately HK\$577.0 million (as at 31 March 2017: approximately HK\$427.0 million).

During the period, net proceeds of approximately HK\$10.2 million have been raised from the issue of 41,000,000 shares pursuant to the exercise of share options.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 30 September 2017, the Group had bank borrowings of approximately HK\$98.1 million (31 March 2017: approximately HK\$168.2 million). All of bank borrowings were held in HK\$, US\$ and Danish Krone (“DKK”). The Group has obtained various banking facilities of up to approximately HK\$184.5 million (31 March 2017: approximately HK\$214 million) with different covenants such as (i) corporate guarantees provided by the Company, (ii) charge over fixed assets, inventories and biological assets and/or (iii) the requirements that the net external gearing ratio shall not be more than 150% and the tangible net worth 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 35.5% as at 30 September 2017 (31 March 2017: approximately 70.9%).

The Directors consider that the Group had complied with the covenants of the banking facilities during the six months ended 30 September 2017.

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

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.

Share Subscription

On 31 July 2017 (after trading hours), the Company entered into two separate subscription agreements (“Subscription Agreements”) with Perfect Thinking Global Limited (“Subscriber A”) and Instant Idea Limited (“Subscriber B”). Pursuant to the Subscription Agreements with Subscriber A, the Company conditionally agreed to allot and issue, and Subscriber A had conditionally agreed to subscribe for, 484,889,000 subscription shares. Pursuant to the Subscription Agreement with Subscriber B, the Company conditionally agreed to allot and issue, and Subscriber B conditionally agreed to subscribe for, 120,000,000 subscription shares. All the subscription shares were issued at the subscription price of HK\$0.21 (the “Subscription Price”) per subscription share under the general mandate. All the conditions precedent to the Subscription Agreements were fulfilled and the completion of the subscription agreement took place on 9 August 2017.

The Subscription Price represented (i) a discount of approximately 15.66% to the closing price of HK\$0.249 per share of the Company (the “Share(s)”) as quoted on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on the date of the Subscription Agreements; and (ii) a discount of approximately 16.67% to the average closing price of HK\$0.252 per Share as quoted on the Stock Exchange for the last five trading days of the Share immediately prior to the date of the Subscription Agreements.

The aggregate gross proceeds of the subscriptions are approximately HK\$127 million and the aggregate net proceeds of the subscriptions, after deduction of expenses, approximately HK\$126.5 million, representing a net issue price of approximately HK\$0.209 per subscription share.

As at 30 September 2017, approximately HK\$100 million has been invested in the business development of the Group's securities brokerage and money lending business. The remaining proceeds will be applied for general working capital.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Commitment and Contingent Liability

The Group had no capital commitment and no significant contingent liability as at 30 September 2017 (31 March 2017: nil).

Charge of Assets

As at 30 September 2017, the Group charged the key management insurance contract which is classified as an available-for-sale investment of approximately HK\$11.1 million (31 March 2017: approximately HK\$10.9 million), property, plant and equipment, biological assets and inventories of approximately DKK91,246,000 or approximately HK\$111,265,000 (31 March 2017: DKK101,573,000 or approximately HK\$113,528,000) for bank borrowings.

Risk Management

Credit Risk

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

In order to minimize the credit risk, management of the Group reviews the recoverable amount of 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. 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 under review, 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at 30 September 2017, 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").

(A) Interests in the Company — Long position in shares of the Company

Name	Nature of Interest	Number of Shares	Approximate percentage of shareholding in the Company (Note 2)
Mr. WONG, Chun Chau (Note 1)	Interest of controlled corporation	653,232,000	14.33%
	Beneficial owner	71,539,200	1.57%
Ms. KWOK, Yin Ning	Beneficial owner	39,262,400	0.86%

Note 1: Under the SFO, Mr. Wong is deemed to be interested in 653,232,000 shares which are held by Trader Global Investments Limited, a company wholly owned by Mr. Wong.

Note 2: Such percentage was calculated against the number of issued shares of the Company as at 30 September 2017, being 4,556,923,015 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

(B) Interests in the Company — Long position in underlying shares or equity derivatives of the Company

Name	Nature of Interest	Share Options	Approximate percentage of shareholding in the Company (Note 1)	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	34,698,240	0.76%	0.75%
Ms. KWOK, Yin Ning	Beneficial owner	22,809,600	0.50%	0.49%

Note 1: Such percentage was calculated against the number of issued shares of the Company as at 30 September 2017, being 4,556,923,015 shares.

Save as disclosed above, as at 30 September 2017, neither the Directors nor the chief executives of the Company had interests 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) 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Substantial Shareholders' and Other Persons' Interests and Short Positions in Shares and Underlying Shares

As at 30 September 2017, 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	Name of Shares	Approximate percentage of shareholding in the Company (Note 4)
Trader Global Investments Limited (Note 1)	Beneficial owner	653,232,000	14.33%
Excel Blaze Limited (Note 2)	Beneficial owner	745,740,000	16.36%
Perfect Thinking Global Limited (Note 3)	Beneficial owner	599,917,889	13.16%
ZHUO Kun	Beneficial owner	282,480,000	6.20%

Note:

1. Trader Global Investments Limited is wholly and beneficially owned by Mr. Wong Chun Chau, a director of the Company. Mr. Wong is also the sole director of Trader Global Investments Limited.
2. Excel Blaze Limited is wholly and beneficially owned by Mr. Yan Kam Cheong.
3. Perfect Thinking Global Limited is wholly and beneficially owned by Mr. Chen Jiarong, who was also interested in 7,289,200 shares as at 30 September 2017.
4. Such percentage was calculated against the number of issued shares of the Company as at 30 September 2017, being 4,556,923,015 shares.

Save as disclosed above, as at 30 September 2017, the Directors were not aware of any persons (other than the Directors or chief executive of the Company) who 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Directors' Rights to Acquire Shares or Debentures

Other than as disclosed under the sections "Share Option Schemes" and "Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures" above, at no time during the period ended 30 September 2017 was the Company or any of its subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company or their respective associates (as defined in the Listing Rules) to have any right to subscribe for securities of the Company or any of its associated corporations as defined in the SFO, or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate granted to any Director or his/her spouse or children under 18 years or age, or were any such rights exercised by them.

Share Option Schemes

The Company has adopted, on 1 August 2012, two share option schemes namely, the 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 following table sets out the change of number of share options outstanding under the share option schemes:

Name or category of participants	Option scheme	Date of grant	Exercise price (adjusted) HK\$	As at 1 April 2017	Exercise during the period	Lapse during the period	As at 30 September 2017
<i>Director</i>							
Wong Chun Chau	Pre-IPO	1 August 2012	0.12	34,698,240	—	—	34,698,240
	Share Option Scheme	18 August 2015	0.249	17,000,000	(17,000,000)	—	—
Kwok Yin Ning	Pre-IPO	1 August 2012	0.12	22,809,600	—	—	22,809,600
	Share Option Scheme	18 August 2015	0.249	24,000,000	(24,000,000)	—	—
<i>Employees</i>	Pre-IPO	1 August 2012	0.151	1,058,880	—	—	1,058,880
	Share Option Scheme	18 August 2015	0.249	500,000	—	(500,000)	—
							58,566,720

Save as disclosed above, during the six months ended 30 September 2017, no share options have been granted, exercised, lapsed or cancelled.

MANAGEMENT DISCUSSION AND ANALYSIS

Purchase, sale or Redemption of Shares

During the six months ended 30 September 2017, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

Code on Corporate Governance Practices

Save for the following deviation from the Corporate Governance Code (the "Code") as set out in Appendix 14 of the Listing Rules, none of the Directors is aware of any information which would reasonably indicate that the Company has not complied with the code provision of the Code during the six months ended 30 September 2017.

Company Secretary

Mr. Lam Chi Tat was appointed as company secretary of the Company with effect from 9 December 2016. Although Mr. Lam is not an employee of the Company as required under code provision F.1.1 of the Code, the Company has assigned Ms. Kwok Yin Ning, the Chief Executive Officer and an executive Director, as the contact person with Mr. Lam. Information in relation to the performance, financial position and other major developments and affairs of the Group are speedily delivered to Mr. Lam through the contact person assigned. Having in place a mechanism that Mr. Lam will get hold of the Group's development promptly without material delay and with his expertise and experience, the Board is confident that having Mr. Lam as the company secretary is beneficial to the Group's compliance with the relevant board procedures, applicable laws, rules and regulations.

Code of Conduct Regarding Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding directors' securities transactions. Having made specific enquiry of all directors, the Company was not aware of any non-compliance with the required standard set out in the Model Code regarding securities transactions by the directors throughout the six months ended 30 September 2017.

Employees and Emolument Policy

As at 30 September 2017, the Group had 70 full-time employees (31 March 2017: approximately 66). The pay scale of the Group's employees is maintained at a competitive level and employees are rewarded on a performance-related basis within the general framework of the Group's salary and bonus system. Other employee benefits include contribution to provident fund, insurance and medical cover as well as options that were granted or may be granted under the share option schemes of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Audit Committee

The audit committee has three members comprising three independent non-executive directors, namely, Ms. Mak Yun Chu (Chairperson), Mr. Tang Tat Chi and Mr. Hung Wai Che, with terms of reference in compliance with the Listing Rules. The audit committee reviews the Group's financial reporting, internal controls and makes relevant recommendations to the Board.

The audit committee has reviewed the Company's unaudited condensed consolidated financial statements report for the six months ended 30 September 2017.

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

Hong Kong, 22 November 2017