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# FINANCIAL SUMMARY

	For the six months ended 30 September	
	2018	2017
	(unaudited)	(unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	<b>107,995</b>	116,486
Gross profit	<b>68,276</b>	74,661
Net loss	<b>(7,215)</b>	(1,778)

# MANAGEMENT DISCUSSION AND ANALYSIS

Ulferts International Limited (the “Company”) together with its subsidiaries (collectively referred to as the “Group”) is a leading retailer of high quality home furniture mainly imported from Europe. The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “IPO”) since January 2018.

Established for over 40 years, the Group prides itself in retailing superior quality and stylish furniture in Hong Kong. As at 30 September 2018, the Group operated 18 points-of-sale (“POS”) in Hong Kong, including 16 stores under four retail lines – “**Ulferts**”, “**at • home**”, “**Dormire**” and “**Eurodecor**”, and 2 department store counters. “**Ulferts**” is dedicated to transforming living spaces into ideal homes, and offers a wide variety of contemporary style furniture products targeting middle to high income groups. “**at • home**”, a recently introduced retail line, offers quality compact furniture to suit small living spaces for modern families. “**Dormire**”, on the other hand, offers mattresses, pillows, sofas and other ancillary items under the Group’s self-owned brand “**Ulfenbo**”, targeting the mass market. The products of “**Ulfenbo**” are also distributed through other retail networks such as roadshows and wholesaling to about 260 dealers. Meanwhile, several online shopping platforms are available for maximizing market coverage.

## FINANCIAL REVIEW

### *Overall Review*

Due to weakening consumption market sentiment, the Group’s total revenue decreased to HK\$108.0 million (2017: HK\$116.5 million) during the six months ended 30 September 2018 (the “Period”). Revenue of the retail segment amounted to HK\$101.1 million (2017: HK\$107.7 million) and remained a key revenue contributor, accounting for 93.6% (2017: 92.4%) of the Group’s revenue. Gross profit decreased by 8.6% to HK\$68.3 million (2017: HK\$74.7 million). Gross profit margin softened to 63.2% (2017: 64.1%) due to an increase in purchase price of the furniture products amid the appreciation of the Euro dollars.

The Group’s net loss was HK\$7.2 million (2017: net loss of HK\$1.8 million). The increase in net loss was primarily due to i) the decline in revenue; ii) the softened gross profit margins; and iii) an increase in selling and distribution expenses resulted from the incurring of start-up costs, rental expenses and overheads for the new POS, during the Period. The board of directors of the Company (the “Board” or “Directors”) resolved not to declare any interim dividend for the Period.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Capital Structure, Liquidity and Financial Resources*

There was no change in the capital structure during the Period. Cash and cash equivalents of the Group as at 30 September 2018 amounted to HK\$64.9 million (31 March 2018: HK\$83.4 million), which were mainly denominated in Hong Kong dollars. As at 30 September 2018, the bank borrowings of the Group was HK\$10.3 million (31 March 2018: HK\$19.8 million), and hence its gearing ratio (calculated on the basis of the total borrowings over total equity) was 9.5% (31 March 2018: 17.1%). The Group has available un-utilised banking facilities of approximately HK\$73.6 million. The strong liquidity position and available un-utilised banking facilities enable the Group to retain high flexibility for future development.

As at 30 September 2018, the Group's current assets and current liabilities were approximately HK\$129.4 million (31 March 2018: HK\$146.0 million) and HK\$51.6 million (31 March 2018: HK\$56.7 million), respectively. Current ratio and quick ratio of the Group were 2.5 (31 March 2018: 2.6) and 1.6 (31 March 2018: 1.8), respectively.

In view of the Group's financial position as at 30 September 2018, the Board considered that the Group had sufficient working capital for its operations and future development plans.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Use of Proceeds*

During the IPO in January 2018, the net proceeds obtained from the listing were approximately HK\$92.6 million. The actual use of the net proceeds up to 30 September 2018 is set out below:

	Allocation of use of net proceeds (HK\$ million)	Actual use of net proceeds up to 30 September 2018 (HK\$ million)
Capital expenditure, rental deposits and overhead expenses for opening of " <b>at • home</b> " retail stores	34.2	8.7
Strengthening the Group's product portfolio	24.2	4.2
Enhancing " <b>Ulfenbo</b> " sales channels and brand awareness	10.3	1.2
Capital expenditure, rental deposits and overhead expenses for opening an " <b>Ulferts</b> " retail store	9.1	6.0
Upgrading information technology	5.7	–
General working capital	9.1	9.1
<b>Total</b>	<b>92.6</b>	<b>29.2</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### *Retail Business*

#### ■ ***Effective Market Segmentation***

With a clear understanding of market segmentation, the Group defines and identifies targeted consumer profiles in order to develop product and marketing strategies to reach out to their specific preferences.

“**Ulferts**”, as the Group’s core retail label, is dedicated to providing high quality, stylish and luxury furniture for its customers to build their ideal homes. To offer a wide variety of contemporary style furniture products targeting middle to high income groups, the Group operates “**Ulferts**” showrooms across Hong Kong.

During the Period, the Group launched a new retail line, “**at • home**”, offering quality small and compact furniture that perfectly blends design and function. The new line targets the mid-range segment and is geared towards the needs of young couples and families in Hong Kong.

“**Ulfenbo**” products focus on mass market consumers who demand quality and affordable mattresses, pillows and other ancillary items to enhance their sleep experience. To facilitate the retailing of “**Ulfenbo**” products, the Group operates “**Dormire**” specialty stores which are typically small-scale, and are designed with a casual and relaxing environment, to highlight smart living style.

#### ■ ***Diverse Product Portfolio***

The Group offers a wide variety of furniture products – ranging from leather sofas, cabinets, dining tables and chairs, through wardrobes, coffee tables and sideboards, to beds, which are imported from European and Asian countries. The Group carries around 50 furniture brands in “**Ulferts**” showrooms and “**at • home**” stores, including international brands such as Himolla, Gamma, Nicolettihome, Kristalia and Domicil, with which the Group has built long-standing relationship. “**at • home**” particularly offers various compact furniture products with special features and functions to suit the small living spaces in Hong Kong, as well as chic Danish home accessories.

# MANAGEMENT DISCUSSION AND ANALYSIS

The Group also offers mattresses, pillows, sofas, sofabeds, adjustable beds, as well as other ancillary items such as mattress protectors and mattress toppers under its self-owned label "**Ulfenbo**". The Group provides different models of mattresses, in various sizes with varying supports, to meet diverse customer needs.

## ■ **Comprehensive Retail Sales Channel**

As at 30 September 2018, the Group had 18 POS (31 March 2018: 16) in Hong Kong. The number of outlets in each retail line is as follows:

Retail Line	Number of POS
" <b>Ulferts</b> "	6
" <b>at • home</b> "	1
" <b>Dormire</b> " and department store counters	10
" <b>Eurodecor</b> "	1
<b>Total</b>	<b>18</b>

"**Ulferts**" showrooms are strategically located in either upscale residential areas or major shopping areas, targeting middle to high income groups. With its solid presence in these mature locations with resilient foot traffic, the Group enjoys substantial visitations and a high brand reputation.

During the Period, "**at • home**", a new retail line was established, and its first store was strategically opened in Discovery Park. Located in the centre of Tsuen Wan, this is one of the landmark paternity malls in the New Territories West, and is surrounded by a number of residential developments and well-received by local residents and shoppers. During the Period, two "**Dormire**" specialty stores were opened, one in Wong Tai Sin and another in Ho Man Tin, for further strengthening its market presence.



# MANAGEMENT DISCUSSION AND ANALYSIS

## *Wholesale Business*

The Group also operates a wholesale business spanning mattresses, pillows, sofas and sofas under its self-owned label “**Ulfenbo**”, through about 260 dealers in Hong Kong and Macau. Based on its long establishment and quality products, the “**Ulfenbo**” brand has been recognised by the “Hong Kong Top Brand Mark” for four consecutive years since 2014, under the Hong Kong Top Brand Mark Scheme organised by The Chinese Manufacturers’ Association of Hong Kong and Hong Kong Brand Development Council.

The Group appointed Ms. Kelly Cheung, a famous artiste and an internet sensation, as the brand ambassador for “**Ulfenbo**” products, in September 2017. Marketing materials featuring her have since presented a fresh image for the “**Ulfenbo**” brand.

## *Special Projects*

Complementing its retail and wholesale business, the Group has a special projects division, which undertakes furniture-related projects primarily for corporate customers such as offices, cinemas, hotels and tertiary institutions. The division provides service ranging from planning and design, through procuring custom-made furniture to final installation for corporate customers, as well as consultation and liaison services with furniture manufacturers.

## **PROSPECTS**

Looking ahead to the second half of financial year 2018/19, the Group is expected to face a challenging operating environment amid market uncertainties arising from Sino-US trade friction and the pessimism about China’s economy. In Hong Kong, the confidence level of homebuyers has been impacted by a rising interest rates environment and a slew of government measures to tackle housing supply. The suppressed home market, coupled with the volatilities in the stock market, will probably constrain consumers’ wealth and lead to a more conservative spending pattern for home furniture products and accessories.

## MANAGEMENT DISCUSSION AND ANALYSIS

Effective branding strategies are vital for the long-term success of the Group. The Group aims to secure new growth engines by expanding retail lines and product portfolios, to diversify its customer base. In October 2018, the Group expanded its retail footprint by opening “**Ulferts Signature**” showroom, a premium line of “**Ulferts**”. It offers high-end branded furniture products and premium European tailor-made furniture. Meanwhile, as developers continue to build small units, the Group believes that there are widening growth prospects for compact furniture, and plans to seek potential locations to further increase the POS of “**at • home**”. Leveraging the strong brand equity of the long established “**Ulferts**”, the addition of “**Ulferts Signature**” and “**at • home**” will ensure extensive market reach by filling the high-range and mid-range sectors, respectively, and diversifying the Group’s revenue streams.

In anticipating the challenging business environment, the Group is carefully monitoring market trends, in order to respond quickly and appropriately to changes. In this regard, the Group remains committed to enhancing operational efficiencies through prudent control of inventory and expenses. Meanwhile, the Group continues to make progress with strengthening its business capabilities by expanding customer reach and solidifying its presence in the local furniture market.

### EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2018, the Group’s number of employee was 146 (30 September 2017: 135). Total staff costs (including remuneration of the Directors and the other staff costs) were approximately HK\$22.3 million (2017: HK\$19.6 million) for the Period. Employees’ remuneration was determined in accordance with individual’s responsibility, competence and skills, experience and performance as well as market pay level. Staff benefits include medical and life insurance, provident funds and other competitive fringe benefits. The Company has adopted a share option scheme to provide incentive or rewards to staff.

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

For the six months ended 30 September 2018

	Notes	Six months ended 30 September	
		2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
<b>REVENUE</b>	4	<b>107,995</b>	116,486
Cost of sales		<b>(39,719)</b>	(41,825)
Gross profit		<b>68,276</b>	74,661
Other income	4	<b>1,342</b>	475
Selling and distribution expenses		<b>(63,961)</b>	(56,650)
General and administrative expenses		<b>(12,716)</b>	(18,791)
Finance cost		<b>(156)</b>	(33)
<b>LOSS BEFORE TAX</b>	5	<b>(7,215)</b>	(338)
Income tax expense	6	–	(1,440)
<b>LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>(7,215)</b>	(1,778)
Attributable to:			
Owners of the parent		<b>(7,215)</b>	(1,778)
<b>LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT</b>	8		
Basic and diluted loss per share (expressed in HK cents)		<b>(0.90)</b>	(0.30)

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	As at	
		30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		21,325	17,379
Prepayments and deposits		13,001	11,361
Deferred tax assets		1,681	1,681
<b>Total non-current assets</b>		<b>36,007</b>	30,421
<b>CURRENT ASSETS</b>			
Inventories		49,422	44,226
Trade receivables	9	2,462	6,263
Prepayments, deposits and other receivables		12,036	11,577
Tax recoverable		570	570
Cash and cash equivalents		64,868	83,385
<b>Total current assets</b>		<b>129,358</b>	146,021
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	10	4,916	7,076
Other payables and accruals		34,910	28,619
Interest-bearing bank borrowings		10,313	19,798
Provisions		1,500	1,241
<b>Total current liabilities</b>		<b>51,639</b>	56,734
<b>NET CURRENT ASSETS</b>		<b>77,719</b>	89,287
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>113,726</b>	119,708

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

	Notes	As at	
		30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
<b>NON-CURRENT LIABILITIES</b>			
Provisions		<b>5,293</b>	4,060
Net assets		<b>108,433</b>	115,648
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>110,337</b>	110,337
Retained profits/(accumulated loss)		<b>(1,904)</b>	5,311
Total equity		<b>108,433</b>	115,648

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

	Share capital <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total equity <i>HK\$'000</i>
At 1 April 2017 (audited)	6,065	68,834	74,899
Loss and total comprehensive loss for the period	–	(1,778)	(1,778)
At 30 September 2017 (unaudited)	6,065	67,056	73,121
At 1 April 2018 (audited)	110,337	5,311	115,648
Loss and total comprehensive loss for the period	–	(7,215)	(7,215)
<b>At 30 September 2018 (unaudited)</b>	<b>110,337</b>	<b>(1,904)</b>	<b>108,433</b>

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2018

	Six months ended 30 September	
	2018	2017
	(unaudited) HK\$'000	(unaudited) HK\$'000
Net cash (used in) from operating activities	(151)	3,817
Net cash used in investing activities	(8,725)	(8,751)
Net cash (used in) from financing activities	(9,641)	14,001
Net (decrease) increase in cash and cash equivalents	(18,517)	9,067
Cash and cash equivalents at the beginning of the period	83,385	39,818
Cash and cash equivalents at the end of the period	64,868	48,885
<b>Analysis of the balances of cash and cash equivalents</b>		
Bank balances and cash	64,868	48,885

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## I. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as well as with the applicable disclosures required by Appendix 16 to The Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and the Hong Kong Companies Ordinance (“CO”).

The unaudited condensed consolidated financial statements have been prepared on the historical cost convention. The unaudited condensed consolidated financial statements are presented in Hong Kong dollars (“HK\$”) and all values are rounded to the nearest thousand except when otherwise indicated.

These unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2018.

The financial information relating to the year ended 31 March 2018 that is included in this interim report 2018 does not constitute the Company’s statutory annual consolidated financial statements for 2018 but is derived from those financial statements. Further information relating to these statutory annual consolidated financial statements required to be disclosed in accordance with section 436 of the CO is as follows:

- (a) The Company has delivered the consolidated financial statements for the year ended 31 March 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to the CO.
- (b) The Company’s auditor has reported on the consolidated financial statements of the Group for the year ended 31 March 2018. The auditor’s reports were unqualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the CO.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and basis of presentation used in the preparation of these unaudited condensed consolidated financial statements are consistent with those adopted in the preparation of the Group's audited consolidated financial statements for the year ended 31 March 2018, except for the application of the following new and revised HKFRSs, HKASs, amendments and interpretation (hereinafter collectively referred to as the "new and revised HKFRSs") effective from 1 April 2018:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the Related Amendments
HK(IFRIC) Interpretation 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014-2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The application of the above new and revised HKFRSs has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these unaudited condensed consolidated financial statements.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRS 16	Leases <sup>1</sup>
HKFRS 17	Insurance Contracts <sup>2</sup>
HK(IFRIC) Interpretation 23	Uncertainty over Income Tax Treatments <sup>1</sup>
Amendments to HKFRS 9	Prepayment Features with Negative Compensation <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associated or Joint Venture <sup>3</sup>
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement <sup>1</sup>
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures <sup>1</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 Cycle <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2019

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2021

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined

The Directors are in process of assessing the anticipated and potential impact of the new and revised HKFRSs, and at this stage have not yet determined the effect of the application of such new and revised HKFRSs on the financial performance and financial position of the Group.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 3. OPERATING SEGMENT INFORMATION

The Group principally focuses on the retail and wholesale of imported furniture, and special projects. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

### *Geographical information*

(a) *Revenue from external customers*

Substantially all of the Group's revenues from external customers during the six months ended 30 September 2018 and 2017 were attributed to Hong Kong based on the location of the customers or the location of certain key processes/resources from which the Group derived the revenues.

(b) *Non-current assets*

All of the Group's non-current assets as at the end of the reporting period were located in Hong Kong based on the location of the assets.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 4. REVENUE AND OTHER INCOME

Revenue represents the net invoiced value of goods sold, after allowances for returns and trade discounts, and the value of project services rendered during the Period.

An analysis of revenue and other income is as follows:

	Six months ended 30 September	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
<b>Revenue</b>		
Retail of furniture	101,116	107,672
Wholesale of furniture	6,057	6,184
Special projects – project sales and consultancy services arrangements	822	2,630
	<b>107,995</b>	116,486
<b>Other income</b>		
Other service income	436	374
Bank interest income	382	–
Others	524	101
	<b>1,342</b>	475

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Six months ended 30 September	
	2018	2017
	(unaudited) HK\$'000	(unaudited) HK\$'000
Cost of inventories sold and services provided	<b>39,216</b>	41,778
Net write-down of inventories to net realisable value	<b>503</b>	47
<b>Total amount recognised as cost of sales</b>	<b>39,719</b>	41,825
Depreciation	<b>6,271</b>	4,506
Loss on disposal of items of property, plant and equipment*	–	543
Minimum lease payments under operating leases	<b>27,783</b>	24,177
Contingent rents under operating leases	–	70
	<b>27,783</b>	24,247
Employee benefit expense (including directors' and chief executive's remunerations):		
Wages, salaries, bonuses and allowances	<b>21,486</b>	18,877
Pension scheme contributions (defined contribution scheme)	<b>828</b>	757
	<b>22,314</b>	19,634
Foreign exchange differences, net	<b>(756)</b>	(42)

\* Included in "General and administrative expenses" in the consolidated Statement of profit or loss and other comprehensive income.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 6. INCOME TAX

The Group did not generate any assessable profits arising in Hong Kong during the Period. In the six months ended 30 September 2017, Hong Kong profits tax had been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong.

	Six months ended 30 September	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
Current – Hong Kong		
Charge for the Period	–	1,180
Deferred	–	260
<b>Total tax charge for the Period</b>	<b>–</b>	<b>1,440</b>

## 7. DIVIDEND

The Board resolved not to declare any interim dividend for the Period (2017: Nil).

## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount is based on the loss for the Period attributable to ordinary equity holders of the parent of HK\$7,215,000 (2017: loss of HK\$1,778,000) and the weighted average number of ordinary shares of 800,000,000 (2017: 600,000,000) in issue during the Period as adjusted retrospectively to reflect a share subdivision of the Company during the year ended 31 March 2018.

In determining the weighted average number of ordinary shares in issue, the share subdivision of the Company during the year ended 31 March 2018 was deemed to have been completed on 1 April 2017.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 8. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(Continued)*

The Group had no potentially dilutive ordinary shares in issue during the both periods.

	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
<b>Loss</b>		
Loss attributable to ordinary equity holders of the parent used in the basic and diluted loss per share calculation	<b>7,215</b>	1,778
<b>Number of shares</b>		
<b>Shares</b>		
Weighted average number of ordinary shares in issue during the Period used in the basic and diluted loss per share calculation, as adjusted retrospectively to reflect the share subdivision of the Company during the year ended 31 March 2018	<b>800,000,000</b>	600,000,000

## 9. TRADE RECEIVABLES

The Group's retail sales are usually paid in cash or by major credit/debit cards. The Group's trading terms with its wholesale, project and consultancy services customers are mainly on credit, except for new customers, where payment in advance/upon delivery is normally required. The credit period for these customers is generally one to two months, or extending up to six months for major project and consultancy service customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 9. TRADE RECEIVABLES (Continued)

An ageing analysis of the trade receivables of the Group, based on the invoice date, is as follows:

	As at	
	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Within 1 month	1,981	3,713
1 to 3 months	448	2,409
Over 3 months	33	141
	<b>2,462</b>	6,263

## 10. TRADE AND BILLS PAYABLES

An ageing analysis of the trade and bills payables as at the end of the reporting period, based on the invoice date, is as follows:

	As at	
	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Within 1 month	4,775	6,891
1 to 3 months	131	70
Over 3 months	10	115
	<b>4,916</b>	7,076

The trade and bills payables are non-interest-bearing and are normally settled on 60-day to 120-day terms.



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## II. OPERATING LEASE ARRANGEMENTS

### As lessee

The Group leases certain of its office properties, retail stores, warehouses and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to four years, and those for office equipment are for terms of five years.

At 30 September 2018, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Within one year	57,120	38,017
In the second to fifth years, inclusive	54,528	20,720
	<b>111,648</b>	58,737

The operating leases of certain retail stores also called for additional rentals, which would be based on a certain percentage of revenue/turnover of the operations being undertaken therein pursuant to the terms and conditions as stipulated in the respective tenancy agreements. As the future revenue/turnover of these stores could not be reliably determined at the end of each of the financial year/period, the relevant contingent rental has not been included in the operating lease commitments disclosure above. Certain of the lease arrangements contain renewal options.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 12. RELATED PARTY TRANSACTIONS

- (a) The Group had the following transactions with related parties during the Period:

	Six months ended 30 September	
	2018 (unaudited) HK\$'000	2017 (unaudited) HK\$'000
<b>Fellow subsidiaries</b>		
Project sales	298	886
Rental paid	2,796	5,650
Reimbursement of administrative expenses	2,446	224
<b>Other related companies</b>		
Sponsor and financial advisory fees paid	120	900
Secretarial fee paid	80	–

*Note:*

The above fellow subsidiaries and related companies are either controlled by a Director or Albert Yeung Holdings Limited (“AY Holdings”) which is the ultimate controlling shareholder of the Company. AY Holdings is held by STC International Limited (“STC International”) being the trustee of The Albert Yeung Discretionary Trust (“AY Trust”) of which Dr. Yeung Sau Shing, Albert (“Dr. Albert Yeung”) is the founder.

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2018

## 12. RELATED PARTY TRANSACTIONS (Continued)

### (b) Operating lease arrangements

At 30 September 2018, the Group had total future minimum lease payments under non-cancellable operating leases of properties entered into with certain fellow subsidiaries of the Group falling due as follows:

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
Within one year	9,165	2,341
In the second to fifth years, inclusive	14,776	3,780
	<b>23,941</b>	6,121

(c) During the six months ended 30 September 2017, marketing and promotional expenses of HK\$400,000 were charged by a fellow subsidiary based on terms as agreed by the relevant parties.

## 13. CONTINGENT LIABILITIES

At 30 September 2018, contingent liabilities not provided for by the Group in the financial statements were as follows:

	30 September 2018 (unaudited) HK\$'000	31 March 2018 (audited) HK\$'000
In connection with a bank guarantee given to a landlord in lieu of rental deposit required under a tenancy agreement	2,535	2,535

## DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SECURITIES

As at 30 September 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors adopted by the Company (“Ulferts Securities Code”) were as follows:

### (a) Long position interests in the Company *Ordinary shares of the Company (“Shares”)*

None of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company.

### (b) Long position interests in associated corporations of the Company *Ordinary shares*

Name of Director	Name of associated corporation	Capacity/Nature of interests	Number of Shares interested	% of issued Shares
Ms. Fan Man Seung, Vanessa	Emper International Holdings Limited	Beneficial owner	10,500,000	0.29%

Save as disclosed above, as at 30 September 2018, none of the Directors nor chief executives of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

## OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at 30 September 2018, the following persons or corporations (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests and short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO ("DI Register") or as otherwise notified to the Company were as follows:

### Long positions in the Shares

Name	Capacity/Nature of interests	Number of Shares interested	% of issued Shares
Albert Yeung Holdings	Interest in a controlled corporation	600,000,000	75%
STC International	Trustee of the AY Trust	600,000,000	75%
Dr. Albert Yeung	Founder of the AY Trust	600,000,000	75%
Ms. Luk Siu Man, Semon ("Ms. Semon Luk")	Interest of spouse	600,000,000	75%

*Note:* These shares were held by Ulferts International Group Holdings Limited, a wholly-owned subsidiary of AY Holdings. AY Holdings was in turn held by STC International in trust for the AY Trust, a discretionary trust set up by Dr. Albert Yeung. By virtue of being the spouse of Dr. Albert Yeung as founder of the AY Trust, Ms. Semon Luk had deemed interests in the same Shares.

All interests stated above represent long position. As at 30 September 2018, no short positions in the Shares or underlying Shares were recorded in the DI Register.

Save as disclosed above, as at 30 September 2018, the Directors were not aware of any person or corporation (not being a Director and chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in any Shares or underlying Shares as recorded in the DI Register or as otherwise notified to the Company.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## CORPORATE GOVERNANCE

### *Corporate Governance Code*

The Company had complied throughout the Period with all code provisions set out in the Corporate Governance Code under Appendix 14 of the Listing Rules.

### *Model Code for Securities Transactions*

The Company had adopted the Ulferts Securities Code as its own code of conduct regarding securities transactions by Directors on no less exacting terms than the required standards as set out in Appendix 10 of the Listing Rules – Model Code for Securities Transactions of Directors of Listed Issuers (“Model Code”). Having made specific enquiry to the Directors, all of them confirmed that they had complied with the required standard of dealings as set out in the Model Code and the Ulferts Securities Code throughout the Period.

Relevant employees who are likely to be in possession of unpublished price-sensitive information of the Group are also subject to compliance with written guidelines in line with the Model Code. No incident of non-compliance by relevant employees was noted throughout the Period.

## SHARE OPTIONS

The Company adopted a share option scheme (“Share Option Scheme”) on 8 January 2018 to provide incentive or rewards to participants including the Directors and eligible employees of the Group. No options were granted under the Share Option Scheme since its adoption and up to 30 September 2018.

## CHANGE OF INFORMATION OF DIRECTORS

The change in the Directors’ information which is required to be disclosed pursuant to Rule 13.51(B)(1) of the Listing Rules since the date of the 2017/2018 Annual Report is set out below:-

Mr. Ng Hoi Yue retired as an independent non-executive director and members of the relevant board committees of Emperor Culture Group Limited (Stock Code: 491) with effect from 13 November 2018.

# CORPORATE GOVERNANCE AND OTHER INFORMATION

## REVIEW OF INTERIM REPORT

The condensed consolidated financial statements of the Group for the Period as set out in this interim report have not been reviewed nor audited by the Company's auditor, Ernst & Young, but this report has been reviewed by the audit committee of the Company, which comprises the three Independent Non-executive Directors of the Company.

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the Period.

By order of the Board  
**Ulferts International Limited**  
**Wong Chi Fai**  
*Chairman*

Hong Kong, 22 November 2018

As at the date of this Report, the Board comprises:

*Executive Directors:*

Mr. Wong Chi Fai  
Mr. Ng Koon Keung, Ricky  
Ms. Mok Fung Lin, Ivy  
Ms. Fan Man Seung, Vanessa

*Independent Non-Executive Directors:*

Ms. Chan Yee Man  
Mr. Chiu Kin Fai  
Mr. Ng Hoi Yue