歐化國際有限公司
Ulferts International Limited
(Incorporated in Hong Kong with limited liability)
(Stock Code: 1711)

ANNUAL RESULTS FOR THE YEAR ENDED 31 MARCH 2019

FINANCIAL SUMMARY

	For the year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Revenue	**242,959**	258,553
Gross profit	**152,264**	163,922
Earnings BITDA[1]	**5,977**	21,330
Net (loss)/profit	**(3,978)**	8,477

1 BITDA represents before interest expense, tax, depreciation and amortisation.

The board of directors (the "Board" or "Directors") of Ulferts International Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2019 (the "Year") together with the comparative figures for the corresponding year in 2018 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2019

	Notes	**2019** *HK$'000*	2018 *HK$'000*
REVENUE	*4*	**242,959**	258,553
Cost of sales		**(90,695)**	(94,631)
Gross profit		**152,264**	163,922
Other income and gains	*4*	**3,575**	1,435
Selling and distribution expenses		**(130,939)**	(116,942)
General and administrative expenses		**(29,281)**	(35,586)
Finance cost		**(240)**	(283)
PROFIT/(LOSS) BEFORE TAX	*5*	**(4,621)**	12,546
Income tax credit/(expense)	*6*	**643**	(4,069)
PROFIT/(LOSS) FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**(3,978)**	8,477
Attributable to:			
Owners of the parent		**(3,978)**	8,477
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted (expressed in HK cents per share)		**(0.50)**	1.34

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2019

	Notes	2019 HK$'000	2018 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**30,826**	17,379
Prepayments and deposits		**15,009**	11,361
Deferred tax assets		**2,468**	1,681
Total non-current assets		**48,303**	30,421
CURRENT ASSETS			
Inventories		**46,326**	44,226
Trade receivables	*9*	**9,404**	6,263
Prepayments, deposits and other receivables		**8,976**	11,577
Tax recoverable		**2,057**	570
Cash and cash equivalents		**59,469**	83,385
Total current assets		**126,232**	146,021
CURRENT LIABILITIES			
Trade and bills payables	*10*	**7,290**	7,076
Other payables and accruals		**43,147**	28,619
Interest-bearing bank borrowings		**4,002**	19,798
Provisions		**1,599**	1,241
Total current liabilities		**56,038**	56,734
NET CURRENT ASSETS		**70,194**	89,287
TOTAL ASSETS LESS CURRENT LIABILITIES		**118,497**	119,708
NON-CURRENT LIABILITIES			
Provisions		**6,827**	4,060
Net assets		**111,670**	115,648
EQUITY			
Equity attributable to owners of the parent			
Share capital		**110,337**	110,337
Retained profits		**1,333**	5,311
Total equity		**111,670**	115,648

Notes:

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. The consolidated financial statements are presented in Hong Kong dollars ("HK$") and all values are rounded to the nearest thousand except when otherwise indicated.

The financial information relating to the years ended 31 March 2019 and 2018 included in this preliminary announcement of annual results 2019 do not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those consolidated financial statements. Further information relating to these statutory annual consolidated financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

- The Company has delivered the 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 Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 March 2019 in due course.

- The Company's auditor has reported on the consolidated financial statements of the Group for both years. 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 reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's consolidated financial statements.

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*
HKFRS 9	*Financial Instruments*
HKFRS 15	*Revenue from Contracts with Customers*
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*
Amendments to HKAS 40	*Transfers of Investment Property*
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*
Annual Improvements 2014-2016 Cycle	Amendments to HKFRS 1 and HKAS 28

Other than as explained below regarding the impact of HKFRS 9 and HKFRS 15, the adoption of the above new and revised standards has had no significant financial effect on the consolidated financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 *Financial Instruments* replaces HKAS 39 *Financial Instruments: Recognition and Measurement,* bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment and hedge accounting. The Group has adopted HKFRS 9 from 1 April 2018 and recognised any transition adjustments against the applicable opening balances in equity at 1 April 2018. Therefore, the comparative information was not restated and continues to be reported under HKAS 39.

Classification and measurement

The following information sets out the impacts of adopting HKFRS 9 on the statement of financial position.

A reconciliation between the carrying amounts under HKAS 39 and the balances reported under HKFRS 9 as at 1 April 2018 is as follows:

		HKAS 39 measurement		**HKFRS 9 measurement**	
	Note	**Category**	**Amount**	**Amount**	**Category**
			HK$'000	*HK$'000*	
Financial assets					
Trade receivables		L&R[1]	6,263	6,263	AC[2]
Financial assets included in prepayments, deposits and other receivables		L&R	19,840	19,840	AC
Cash and cash equivalents		L&R	83,385	83,385	AC
			109,488	109,488	
Financial liabilities					
Trade and bills payables		AC	7,076	7,076	AC
Financial liabilities included in other payables and accruals	*(i)*	AC	8,053	8,053	AC
Interest-bearing bank borrowings		AC	19,798	19,798	
			34,927	34,927	

1 L&R: Loans and receivables

2 AC: Financial assets or financial liabilities at amortised cost

Note:

(i) The gross carrying amount of financial liabilities included in other payables and accruals under the column "HKAS 39 measurement – Amount" represents the amount after adjustments for the adoption of HKFRS 15. Further details of the adjustments for the adoption of HKFRS 15 are included below.

Impairment

The Group has determined that the adoption of HKFRS 9 did not have a significant impact on the impairment assessment of its financial assets at 1 April 2018 (including the effect of replacing HKAS 39's incurred credit loss calculations with HKFRS 9's expected credit losses ("ECLs")) and, accordingly, did not result in any transition adjustment to the opening balance of retained profits of the Group as at 1 April 2018.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 and its amendments replace HKAS 11 *Construction Contracts*, HKAS 18 *Revenue* and related interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates.

The Group has adopted HKFRS 15 using the modified retrospective method of adoption. Under this method, the standard can be applied either to all contracts at the date of initial application or only to contracts that are not completed at that date. The Group has elected to apply the standard to contracts that are not completed as at 1 April 2018.

No adjustment to the opening balance of retained profits of the Group as at 1 April 2018 is required for the cumulative effect of the initial application of HKFRS 15. The comparative information was not restated and continues to be reported under HKAS 18 and related interpretations.

Set out below are the amounts by which each financial statement line item was affected as at 1 April 2018 as a result of the adoption of HKFRS 15:

	Note	**Increase/ (decrease)** *HK$'000*
Liabilities		
Deferred revenue included in other payables and accruals	*(i)*	(277)
Customer deposits included in other payables and accruals	*(i)*	(16,293)
Contract liabilities included in other payables and accruals	*(i)*	16,570
Net impact on other payables and accruals		–

The adoption of HKFRS 15 has had no impact on the Group's profit or loss and other comprehensive income or on the Group's operating, investing and financing cash flows for the year. Set out below are the amounts by which each consolidated statement of financial position line item was affected as at 31 March 2019 as a result of the adoption of HKFRS 15. The first column shows the amounts recorded under HKFRS 15 and the second column shows what the amounts would have been had HKFRS 15 not been adopted:

Consolidated statement of financial position as at 31 March 2019:

		Amounts prepared under		
	Note	**HKFRS 15**	**Previous HKFRS**	**Increase/ (decrease)**
		HK$'000	*HK$'000*	*HK$'000*
Deferred revenue included in other payables and accruals	*(i)*	–	317	(317)
Customer deposits included in other payables and accruals	*(i)*	–	22,287	(22,287)
Contract liabilities included in other payables and accruals	*(i)*	22,604	–	22,604
Net impact on other payables and accruals				–

The nature of the adjustments as at 1 April 2018 and the reason for the changes as at 31 March 2019 are described below:

Note:

(i) *Consideration received from customers in advance*

Before the adoption of HKFRS 15, the Group recognised consideration received from customers in advance as customer deposits and deferred revenue, which were included in other payables and accruals. Under HKFRS 15, the amounts are classified as contract liabilities, which are included in other payables and accruals.

Therefore, upon adoption of HKFRS 15, the Group reclassified HK$277,000 and HK$16,293,000 from deferred revenue and customer deposits, respectively, to contract liabilities as at 1 April 2018 in relation to the consideration received from customers in advance as at 1 April 2018.

As at 31 March 2019, under HKFRS 15, HK$317,000 and HK$22,287,000 were reclassified from deferred revenue and customer deposits, respectively, to contract liabilities in relation to the consideration received from customers in advance.

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 resources 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 years ended 31 March 2019 and 2018 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.

Information about major customers

No revenues from transactions with a single external customer for the years ended 31 March 2019 and 2018 amounted to 10% or more of the total revenues of the Group.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue from contracts with customers under HKFRS 15 (2018: revenue under previous HKFRS) is as follows:

	2019	2018
	HK$'000	*HK$'000*
	(under HKFRS 15)	(under previous HKFRS)
Retail of furniture	**226,795**	239,298
Wholesale of furniture	**11,777**	12,212
Special projects – project sales and consultancy service arrangements	**4,387**	7,043
	242,959	258,553

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 March 2019

	HK$'000
Type of goods or services	
Sale of goods	242,879
Consultancy service arrangements	80
Total revenue from contracts with customers	242,959

	HK$'000
Timing of revenue recognition	
At a point in time	242,879
Services transferred over time	80
Total revenue from contracts with customers	242,959

The amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period amounted to HK$16,195,000.

Revenue from contracts with customers (continued)

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is generally satisfied upon delivery of goods. For retail sale of furniture, payment in advance and/or upon delivery by customers are normally required. For wholesale of furniture, payment is generally due within 30 to 60 days from the date of billing. For project sales, payment is generally due based on terms agreed by relevant parties as set out in respective agreements.

Consultancy service arrangements

The performance obligation is generally satisfied over time as services are rendered and payment is generally due based on terms agreed by the relevant parties as set out in respective agreements.

An analysis of other income and gains is as follows:

	2019	2018
	HK$'000	*HK$'000*
Other service income	**1,080**	707
Rental income	**1,181**	–
Provision for reinstatement costs-reversal of unutilised provisions/decrease in estimated provisions	**215**	–
Bank interest income	**782**	240
Others	**317**	488
	3,575	1,435

5. PROFIT/(LOSS) BEFORE TAX

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

	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**89,985**	94,706
Net write-down/(reversal of write-down) of inventories to net realisable value	**710**	(75)
Total amount recognised as cost of sales	**90,695**	94,631
Depreciation	**10,358**	8,501
Loss on disposal/write-off of items of property, plant and equipment*	**3**	419
Reversal of impairment of an other receivable*	**–**	(63)
Minimum lease payments under operating leases	**60,100**	49,829
Contingent rents under operating leases	**560**	1,322
	60,660	51,151

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

6. INCOME TAX

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the Year.

	2019	2018
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**227**	4,661
Overprovision in prior years	**(83)**	(125)
Deferred	**(787)**	(467)
Total tax charge/(credit) for the year	**(643)**	4,069

7. DIVIDEND

	2019	2018
	HK$'000	*HK$'000*
Interim – Nil (2018: HK$0.12 per ordinary share)	**–**	72,000

The Board does not recommend the payment of any final dividend for the Year (2018: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic loss per share amount for the Year is based on the loss for the Year attributable to ordinary equity holders of the parent of HK$3,978,000 and the weighted average number of ordinary shares of 800,000,000 in issue during the Year.

The calculation of the basic earnings per share amount for the prior year is based on the profit for the prior year attributable to ordinary equity holders of the parent of HK$8,477,000 and the weighted average number of ordinary shares of 633,972,603 in issue during the prior year. In determining the weighted average number of ordinary shares in issue during the prior year, the share subdivision of the Company during the prior year was deemed to have been completed on 1 April 2016.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2019 and 2018.

The calculations of basic and diluted earnings/(loss) per share are based on:

	2019	2018
	HK$'000	*HK$'000*
Earnings/(Loss)		
Profit/(loss) attributable to ordinary equity holders of the parent used in the basic and diluted earnings/(loss) per share calculations	**(3,978)**	8,477

	Number of shares	
	2019	2018
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculations	**800,000,000**	633,972,603*

* As adjusted retrospectively to reflect the share subdivision of the Company during the prior year

9. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**9,404**	6,263

The Group's retail sales are usually paid in cash or by major credit/debit cards, with the settlement from the corresponding banks or other financial institutions normally within 7 to 30 days. 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 and/or upon delivery is normally required. The credit period for these customers is generally one to two months, extending up to six months for major project and consultancy service customers, or based on terms agreed by the relevant parties as set out in respective agreements. 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.

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**8,266**	3,713
1 to 3 months	**974**	2,409
Over 3 months	**164**	141
	9,404	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:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**6,699**	6,891
1 to 3 months	**204**	70
Over 3 months	**387**	115
	7,290	7,076

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

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading retailer of high quality home furniture mainly imported from Europe. The Company's shares have been listed on the Main Board of the Stock Exchange (the "IPO") since January 2018.

The Group has been established for over 40 years, and takes pride in providing superior quality stylish furniture in Hong Kong. As at 31 March 2019, the Group operated 20 points-of-sale ("POS") in Hong Kong, including 18 stores under several retail lines – "***Ulferts Signature***", "***Ulferts***", "***at • home***" and "***Dormire***", 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, sofabeds, sofas and other ancillary items under the Group's self-owned brand "***Ulfenbo***", targeting the mass market. "***Ulfenbo***" products are also distributed through other retail networks such as roadshows, and wholesaling to over 200 dealers. Additionally, several online shopping platforms maximise market coverage.

MARKET REVIEW

During the Year, the Group has experienced several market challenges. Local consumption market sentiment has been weakening as a result of stock market volatility following the outbreak of the Sino-US trade war. The growth of residential property prices has even been softening due to the rising interest rate as well as the less optimistic outlook for the Chinese economy arising from trade tensions. The downturns in both stock and property markets affected the formerly positive market sentiment, which led to a decrease in consumer spending. Meanwhile, the stagnant residential property market has also affected the overall demand for home furniture.

Recently, the already competitive home furniture market has become more sophisticated, with greater awareness of product quality. With the organic formation of young couples and establishment of young-and-single households, consumer preferences have changed more rapidly. As an expression of personal taste and considering more aesthetic elements in consumer lifestyles, market demand shifted towards high quality, more compact furniture with modern, chic styles.

FINANCIAL REVIEW

Overall Review

Due to weakening consumption market sentiment, the Group's total revenue inevitably decreased to HK$243.0 million (2018: HK$258.6 million) during the Year. Revenue of the retail segment amounted to HK$226.8 (2018: HK$239.3 million) and remained a key revenue contributor, accounting for 93.3% (2018: 92.6%) of the Group's revenue. Gross profit decreased to HK$152.3 million (2018: HK$163.9 million). Gross profit margin was 62.7% (2018: 63.4%).

The earnings before interest expense, tax, depreciation and amortisation ("BITDA") was HK$6.0 million (2018: HK$21.3 million) during the Year, while loss BITDA of HK$0.8 million was recorded in the first half of the Year. This indicated a turnaround at the operating level in the second half of the Year. The net loss for the Year was narrower at HK$4.0 million (2018: net profit of HK$8.5 million), compared to the net loss amounting to HK$7.2 million for the first half of the Year. This net loss was primarily due to the decline in revenue, and an increase in the rental costs and operating expenses for the new stores during the Year.

Capital Structure, Liquidity and Financial Resources

There was no change in the capital structure during the Year. Cash and cash equivalents of the Group as at 31 March 2019 amounted to HK$59.5 million (31 March 2018: HK$83.4 million), which were mainly denominated in Hong Kong dollars. As at 31 March 2019, the bank borrowings of the Group decreased significantly to HK$4.0 million (31 March 2018: HK$19.8 million), and hence its gearing ratio (calculated on the basis of the total borrowings over total equity) reduced to 3.6% (31 March 2018: 17.1%). The Group has available un-utilised banking facilities of approximately HK$79.3 million. The strong liquidity position and considerable un-utilised banking facilities enable the Group to retain high flexibility for future development.

As at 31 March 2019, the Group's current assets and current liabilities were approximately HK$126.2 million (31 March 2018: HK$146.0 million) and HK$56.0 million (31 March 2018: HK$56.7 million), respectively. Current ratio and quick ratio of the Group were 2.3 (31 March 2018: 2.6) and 1.4 (31 March 2018: 1.8), respectively.

In view of the Group's financial position as at 31 March 2019, the Board considered that the Group had sufficient working capital for its operations and future development plans.

Use of Proceeds

During the IPO in January 2018, the net proceeds from the listing were approximately HK$92.6 million. An analysis of the utilisation of the net proceeds up to 31 March 2019 is set out below:

	Allocation of use of net proceeds *(HK$ million)*	Actual use of net proceeds up to 31 March 2019 *(HK$ million)*
Capital expenditure, rental deposits and overhead expenses for opening of "***at • home***" retail stores	34.2	20.8
Strengthening the Group's product portfolio	24.2	13.7
Enhancing "***Ulfenbo***" sales channels and brand awareness	10.3	3.2
Capital expenditure and rental deposits for opening one more "***Ulferts***" retail store	9.1	8.5
Upgrading information technology	5.7	–
General working capital	9.1	9.1
Total	**92.6**	**55.3**

BUSINESS REVIEW

Retail Business

- ***Effective Market Segmentation***

  With a clear understanding of market segmentation, the Group defines and identifies target 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, enabling its customers to create 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 Year, "***Ulferts Signature***", a premium line of "***Ulferts***", was successfully launched to the market, offering high-end branded furniture products and luxury European tailor-made furniture. It targets up-market customers seeking a superior lifestyle.

During the Year, the Group launched a new retail line, "***at • home***", offering quality, practical and compact furniture. The new line targets the mid-range segment, and is geared towards the needs of young couples and small 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 currently carries more than 50 furniture brands in "***Ulferts Signature***" and "***Ulferts***" showrooms, as well as "***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.

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 31 March 2019, the Group had 20 POS (31 March 2018: 16) in Hong Kong. The number of outlets in each retail line is as follows:

Retail Line	**Number of POS**
"***Ulferts Signature***"	1
"***Ulferts***"	6
"***at • home***"	3
"***Dormire***" and department store counters	10
Total	**20**

"***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 Year, "***Ulferts Signature***", a 3-storey store with gross floor area of approximately 21,700 square feet, was newly opened in Hung Hom. It is the Group's largest flagship store, and features more luxurious lines of furniture and masterpieces with sophisticated finishing and excellent craftsmanship. Some premium brands including Cornelio Cappellini and Crystal Stone are available at "***Ulferts Signature***".

During the Year, a new retail line – "***at • home***" – was established, and its first three stores were strategically opened in Discovery Park in Tsuen Wan, HomeSquare in Shatin and Lee Garden Three in Causeway Bay, and have been well-received by local residents and shoppers. During the Year, two "***Dormire***" specialty stores were opened, one in Wong Tai Sin and another in Ho Man Tin, to further strengthen its market presence.

- ***Excellent Customers Shopping Experience***

  "***Ulferts Signature***" and "***Ulferts***" showrooms are spacious, with a stylish and cozy environment, enabling the Group to display a wide spectrum of products for customers to touch and feel the actual furniture, its colour tones and the texture, to maximise customers' shopping experience. The ambience, setting and placement of furniture within the distinctive display zones have all been tailor-designed by a dedicated visual merchandising team to impart harmonious, home-like comfort. The salesforce is well-trained and offers customers advice on their purchasing needs. In recognition of its service excellence, the Group was awarded one of the "Quarterly Service Leaders" in Furniture & Home Accessories Category, in the 2018 Mystery Shoppers Programme organised by the Hong Kong Retail Management Association ("HKRMA"). In addition, a staff of the Group earned "Excellent Service Star" in the 2018 Service & Courtesy Award of the HKRMA.

- ***Diversified Marketing Strategies***

  The Group believes that brand recognition is crucial for driving long-term growth and success. To enhance brand awareness, the Group conducted a range of marketing and promotional campaigns spanning TV commercials, print advertisements, outdoor advertising, social media engagements on regular basis. It also launched promotional campaigns such as seasonal sale, annual sale and stock clearance sale, as well as joint promotions and reward programmes with banks and other renowned institutions such as Asia Miles.

Wholesale Business

The Group also operates a wholesale business spanning mattresses, pillows, sofabeds and sofas under its self-owned label "***Ulfenbo***", through over 200 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 five consecutive years since 2014, under the Hong Kong Top Brand Scheme organised by the Chinese Manufacturers Association of Hong Kong and Hong Kong Brand Development Council.

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 services 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

The Group considers the business environment will remain challenging in the near-term. The impact of trade tensions and local social issues on the economy and consumer sentiment is difficult to assess. On the other hand, with the continuous upward trend of GDP in China, the possible continuation of low interest rate environment and the resilient local property demand, the Group is cautiously optimistic regarding the long-term outlook. The Group remains committed to enhancing operational efficiencies through prudent control of inventories and expenses, as well as honing its competitive edge. Meanwhile, the Group continues seeking potential locations for expanding its retail network.

In response to the changing market trends, the Group will continue enhancing the market differentiation of its proprietary brands through introducing innovative products, and striving to develop various sales channels. A corner focusing on Italian tailor-made furniture has been established inside "***Ulferts Signature***", to seize the opportunities arising from demand for ultra-luxury, custom-made furniture; more chic Danish furniture and home accessories are available in "***at • home***", to meet the demand for fusing design and function in small living spaces. The Group foresees that small apartments will be the focus of the coming supply of residential units. With customers' positive feedback towards "***at • home***", the Group plans to further develop its offline and online network. With such strategic directions, the Group can solidify its market presence by expanding in the high-range and mid-range sectors, and maintain sustainable growth in the long-term.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2019, the Group's number of employees was 137 (2018: 133). Total staff costs including Directors' remuneration and the other staff costs for the Year were HK$47.7 million (2018: HK$44.3 million). 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.

To provide incentives or rewards to the staff, the Company has adopted a share option scheme, particulars of which will be set out in the section headed "Share Options" of the annual report of the Company.

FINAL DIVIDEND

The Board did not recommend the payment of a final dividend for the Year.

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at AGM

Latest time to lodge transfers	4:30 p.m. on 9 August 2019 (Friday)
AGM	15 August 2019 (Thursday)

In order to qualify for the right to attend and vote at the AGM, all relevant share certificates and properly completed transfer forms must be lodged with the Company's share registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before the above latest time.

SCOPE OF WORK OF MESSRS. ERNST & YOUNG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Year as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the Year. The work performed by Messrs. Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Ernst & Young on the preliminary announcement.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

The Audit Committee of the Company, which comprises the three independent non-executive directors of the Company, had reviewed the consolidated financial statements for the Year in conjunction with the Group's auditors, Messrs. Ernst & Young. Based on this review and discussion with the management of the Company, the Audit Committee was satisfied that the consolidated financial statements were prepared in accordance with applicable accounting standards and fairly presented the Group's financial position as at 31 March 2019 and annual results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

The Company has complied with all the provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules throughout the Year.

Model Code for Securities Transactions

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

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 Year.

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 Year.

PUBLICATION OF THE ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (https://www.hkexnews.hk) and the Company (https://www.ulfertsintl.com). The annual report will be dispatched to the shareholders of the Company and will be available on the websites of the Stock Exchange and the Company in due course.

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

Hong Kong, 27 June 2019

As at the date hereof, 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