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

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2019

The board of directors (the "Board" or "Directors") of Ulferts International Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 September 2019 (the "Period") together with the comparative figures for the corresponding period in 2018 as set out below:

FINANCIAL SUMMARY

	For the six months ended 30 September	
HK$'000	**2019**	2018
Revenue	**113,796**	107,995
Retail	***105,247***	*101,116*
Wholesale & Special Projects	***8,549***	*6,879*
Gross profit	**69,344**	68,276
Net (loss)	**(10,324)**	(7,215)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2019

		Six months ended 30 September	
		2019	2018
		(unaudited)	(unaudited)
	Notes	***HK\$'000***	*HK\$'000*
REVENUE	*4*	**113,796**	107,995
Cost of sales		**(44,452)**	(39,719)
Gross profit		**69,344**	68,276
Other income	*4*	**1,872**	1,342
Selling and distribution expenses		**(66,743)**	(63,961)
General and administrative expenses		**(13,268)**	(12,716)
Finance cost		**(1,529)**	(156)
LOSS BEFORE TAX	*5*	**(10,324)**	(7,215)
Income tax expense	*6*	**–**	–
LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**(10,324)**	(7,215)
Attributable to:			
Owners of the parent		**(10,324)**	(7,215)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted loss per share (expressed in HK cents)		**(1.29)**	(0.90)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2019

	Notes	As at 30 September 2019 (unaudited) HK$'000	31 March 2019 (audited) HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**24,968**	30,826
Right-of-use assets		**60,230**	–
Prepayments and deposits		**19,892**	15,009
Deferred tax assets		**2,468**	2,468
Total non-current assets		**107,558**	48,303
CURRENT ASSETS			
Inventories		**48,354**	46,326
Trade receivables	*9*	**5,052**	9,404
Prepayments, deposits and other receivables		**3,494**	8,976
Tax recoverable		**2,057**	2,057
Cash and cash equivalents		**55,400**	59,469
Total current assets		**114,357**	126,232
CURRENT LIABILITIES			
Trade and bills payables	*10*	**6,187**	7,290
Lease liabilities		**28,732**	–
Other payables and accruals		**36,517**	43,147
Interest-bearing bank borrowings		**5,904**	4,002
Provisions		**2,855**	1,599
Total current liabilities		**80,195**	56,038
NET CURRENT ASSETS		**34,162**	70,194
TOTAL ASSETS LESS CURRENT LIABILITIES		**141,720**	118,497
NON-CURRENT LIABILITIES			
Provisions		**5,436**	6,827
Lease liabilities		**36,174**	–
Total non-current liabilities		**41,610**	6,827
Net assets		**100,110**	111,670
EQUITY			
Equity attributable to owners of the parent			
Share capital		**110,337**	110,337
Retained profits/(Accumulated loss)		**(10,227)**	1,333
Total equity		**100,110**	111,670

Notes:

1. **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 2019.

The financial information relating to the year ended 31 March 2019 that is included in this preliminary announcement of interim results 2019 does not constitute the Company's statutory annual consolidated financial statements for 2019 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 2019 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 2019. 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 407(3) of the CO.

2. **CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES**

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 March 2019, except for the adoption of the new and revised Hong Kong Financial Reporting Standards ("HKFRSs") effective as of 1 April 2019.

Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*
HKFRS 16	*Leases*
Amendments to HKAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*
HK (IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*
Annual Improvements 2015-2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Other than as explained below regarding the impact of HKFRS 16 *Leases*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information. The nature and impact of the new HKFRS are described below:

HKFRS 16 replaces HKAS 17 *Leases*, HK (IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK (SIC)-Int 15 *Operating Leases – Incentives* and HK (SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in HKAS 17. Therefore, HKFRS 16 did not have any financial impact on leases where the Group is the lessor.

The Group adopted HKFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 April 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initial adoption as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for the six-month ended 30 September 2018 was not restated and continues to be reported under HKAS 17.

New definition of a lease

Under HKFRS 16, a contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset. The Group elected to use the transition practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying HKAS 17 and HK (IFRIC)-Int 4 at the date of initial application. Contracts that were not identified as leases under HKAS 17 and HK (IFRIC)-Int 4 were not reassessed. Therefore, the definition of a lease under HKFRS 16 has been applied only to contracts entered into or changed on or after 1 April 2019.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their standard-alone prices. A practical expedient is available to a lessee, which the Group has adopted, not to separate non-lease components and to account for the lease and the associated non-lease components (e.g., property management services for leases of properties) as a single lease component.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for various items of property and other equipment. As a lessee, the Group previously classified leases as either finance leases or operating leases based on the assessment of whether the lease transferred substantially all the rewards and risks of ownership of assets to the Group. Under HKFRS 16, the Group applies a single approach to recognise and measure right-of-use assets and lease liabilities for all leases, except for two elective exemptions for leases of low value assets (elected on a lease by lease basis) and short-term leases (elected by class of underlying asset). The Group has elected not to recognise right-of-use assets and lease liabilities for (i) leases of low-value assets; and (ii) leases, that at the commencement date, have a lease term of 12 months or less. Instead, the Group recognises the lease payments associated with those leases as an expense on a straight-line basis over the lease term.

Impacts on transition

Lease liabilities at 1 April 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 April 2019. The Group elected to present the lease liabilities separately in the statement of financial position.

The right-of-use assets for most leases were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 April 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 April 2019:

– Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

– Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease

The impacts arising from the adoption of HKFRS 16 as at 1 April 2019 are as follows:

	Increase/ (decrease) *HK$'000* (unaudited)
Assets	
Increase in right-of-use assets	78,333
Liabilities	
Increase in lease liabilities	83,909
Decrease in other payables and accruals	(4,340)
Increase in total liabilities	79,569
Decrease in retained profits	(1,236)

The lease liabilities as at 1 April 2019 reconciled to the operating lease commitments as at 31 March 2019 is as follows:

	HK$'000 (Unaudited)
Operating lease commitments as at 31 March 2019	89,481
Weighted average incremental borrowing rate as at 1 April 2019	5%
Lease liabilities as at 1 April 2019	83,909

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 March 2019 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 April 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease properties for additional terms of two to three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

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 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.

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	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Revenue		
Retail of furniture	**105,247**	101,116
Wholesale of furniture	**5,471**	6,057
Special projects – project sales and consultancy services arrangements	**3,078**	822
	113,796	107,995
Other income		
Other service income	**627**	436
Rental income	**784**	404
Bank interest income	**342**	382
Others	**119**	120
	1,872	1,342

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 September	
	2019	2018
	(unaudited)	(unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**42,804**	39,216
Net write-down of inventories to net realisable value	**1,648**	503
Total amount recognised as cost of sales	**44,452**	39,719
Depreciation of property, plant and equipment	**6,672**	6,271
Depreciation of right-of-use assets	**27,883**	–
Loss on disposal of items of property, plant and equipment*	**281**	–
Minimum lease payments under operating leases	**–**	27,783

* Included in "General and administrative expenses" in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

6. INCOME TAX

The Group did not generate any assessable profits arising in Hong Kong during the Period (2018: Nil).

7. DIVIDEND

The Board has resolved not to declare any payment of interim dividend for the Period (2018: Nil).

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

The calculation of the basic loss per share is based on the loss for the Period attributable to ordinary equity holders of the parent of HK$10,324,000 (2018: HK$7,215,000) and the weighted average number of ordinary shares of 800,000,000 (2018: 800,000,000) in issue during the Period.

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

	2019 (unaudited)	2018 (unaudited)
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic and diluted loss per share calculation	**10,324**	7,215
	Number of shares	
Shares		
Weighted average number of ordinary shares in issue during the Period used in the basic and diluted loss per share calculation	**800,000,000**	800,000,000

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.

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

	As at	
	30 September 2019	31 March 2019
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Within 1 month	**4,522**	8,266
1 to 3 months	**451**	974
Over 3 months	**79**	164
	5,052	9,404

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 2019	31 March 2019
	(unaudited)	(audited)
	HK$'000	*HK$'000*
Within 1 month	**5,891**	6,699
1 to 3 months	**296**	204
Over 3 months	**–**	387
	6,187	7,290

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 first listed (the "IPO") on the Main Board of the Stock Exchange 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 30 September 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***" offers quality compact furniture to suit small living spaces for modern families. "***Dormire***", on the other hand, offers mattresses, pillows, beds, 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, there are several online shopping platforms which maximise market coverage.

FINANCIAL REVIEW

Overall Review

Due to the unresolved US-China trade war and ongoing social unrest, which led to weak market consumption sentiment, the Group's overall sales performance deteriorated during the Period. Despite the increase in the number of stores, both the Group's total revenue and gross profit remained at similar levels as same period last year, and were HK$113.8 million (2018: HK$108.0 million) and HK$69.3 million (2018: HK$68.3 million) respectively.

Revenue of the retail segment amounted to HK$105.2 million (2018: HK$101.1 million), accounting for 92.5% (2018: 93.6%) of the Group's revenue. Among the retail revenue, aggregate sales of "***Ulferts***" and "***Ulferts Signature***" amounted to HK$82.9 million (2018: HK$82.9 million), and remained the key revenue contributor, accounting for 78.7% (2018: 82.0%) of total retail revenue.

The net loss for the Period was HK$10.3 million (2018: HK$7.2 million). This net loss was primarily due to the under-performance of the overall sales, as well as an increase in rental costs and operating expenses.

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 2019 amounted to HK$55.4 million (31 March 2019: HK$59.5 million), which were mainly denominated in Hong Kong dollars. As at 30 September 2019, bank borrowings of the Group increased to HK$5.9 million (31 March 2019: HK$4.0 million), and hence its gearing ratio (calculated on the basis of total borrowings over total equity) increased to 5.9% (31 March 2019: 3.6%). The Group has available un-utilised banking facilities of approximately HK$85.3 million. The strong liquidity position and considerable un-utilised banking facilities enable the Group to retain high flexibility for future development and market uncertainty.

As at 30 September 2019, the Group's current assets and current liabilities were approximately HK$114.4 million (31 March 2019: HK$126.2 million) and HK$80.2 million (31 March 2019: HK$56.0 million), respectively. Current ratio and quick ratio of the Group were 1.4 (31 March 2019: 2.3) and 0.8 (31 March 2019: 1.4), respectively.

In view of the Group's financial position as at 30 September 2019, the Board considered that the Group has 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 30 September 2019 is set out below:

	Allocation of use of net proceeds *(HK$ million)*	**Actual use of net proceeds up to 30 September 2019** *(HK$ million)*
Capital expenditure, rental deposits and overhead expenses for opening of "***at • home***" retail stores	34.2	31.0
Strengthening the Group's product portfolio	24.2	24.2
Enhancing "***Ulfenbo***" sales channels and brand awareness	10.3	10.1
Capital expenditure and rental deposits for opening of "***Ulferts***" retail store	9.1	8.5
Upgrading information technology	5.7	–
General working capital	9.1	9.1
Total	**92.6**	**82.9**

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***", 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. "***Ulferts Signature***" offers high-end branded furniture products and luxury European tailor-made furniture. It targets up-market customers seeking a superior lifestyle.

  Another retail line, "***at • home***", offers quality, stylish and compact furniture. It targets the mid-range segment and is geared towards the needs of young couples and local small families.

  "***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, Malerba, Gamma, Cornelio Cappellini, Kristalia and Tonelli, 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 local small living spaces, as well as chic Danish home accessories.

  The Group also offers mattresses, pillows, sofas, sofabeds, 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 2019, the Group had 20 POS (31 March 2019: 20) 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. The Group's largest flagship store, "***Ulferts Signature***", is a 3-storey store with gross floor area of approximately 21,700 square feet, in Hung Hom. It features more luxurious lines of furniture and masterpieces with sophisticated finishing and excellent craftsmanship. Premium brands including Cornelio Cappellini and Crystal Stone are available at "***Ulferts Signature***".

As at 30 September 2019, there were 3 "***at • home***" stores, strategically established in Discovery Park in Tsuen Wan, HomeSquare in Shatin and Lee Garden Three in Causeway Bay. All have been well-received by local residents and shoppers. Meanwhile, the Group is currently operating 10 "***Dormire***" specialty stores and department store counters, all of which are situated in residential areas, in order to capitalise on the market potential.

- ***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 the "Quarterly Service Leader" in Furniture & Home Accessories Category for the periods April to June and July to September 2019, in the Mystery Shoppers Programme organised by the Hong Kong Retail Management Association.

- ***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 and social media engagements on regular basis as well as pop-up exhibitions at suitable venues. It also launched promotional campaigns such as seasonal sale, annual sale and stock clearance sale, as well as joint promotions with banks and other financial institutions and reward programmes 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, showflats 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

Despite the recent negotiations between the United States and China, which slightly eased trade tensions, the ongoing trade war will continue casting shadows on the growth of global economy. In the meantime, the local social unrest has led to disruptions in many districts in Hong Kong, and hindered normal business activities spanning various industries. The market in general is adopting a wait-and-see attitude, while property developers are slowing down or pushing back the launch of new properties, which directly affects the market demand for home furniture. Weak consumption sentiment and a tough operating environment are expected to persist for some time.

Nonetheless, the latest amendment to the cap on the value of properties under the Mortgage Insurance Programme of HKMC Insurance has lowered the hurdle for purchasing properties, providing an impetus for first-time home buyers. In the near term, the Group foresees small apartments will be the focus of the supply of residential units. The Group will therefore strive to enhance its "***at • home***" retail line, which meets the demand for fusing design and function in small living spaces. Subsequent to the Period, the Group has expanded the retail network of "***at • home***" to MegaBox in Kowloon Bay, further strengthening its market presence.

Various recently published statistics indicate a slowdown in local economic development. The Group will closely monitor market conditions, and take precautionary measures accordingly. The Group will also continue enhancing its operational efficiencies through prudent control of inventories, stringent control of rental cost and other operating expenses. With a comprehensive portfolio covering luxury, premium mass and mass markets, the Group will continue diversifying its customer base by effective market segmentation and enhancing its sales network, with the aim of boosting the sales performance of each retail line. With a history of over 40 years in Hong Kong, the Group will endeavour to weather the storm in the face of difficult times.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2019, the Group's number of employee was 140 (2018: 146). Total staff costs (including Directors' remuneration and the other staff costs) were approximately HK$24.3 million (2018: HK$22.3 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.

INTERIM DIVIDEND

The Board has resolved not to declare any payment of interim dividend for the financial year ending 31 March 2020.

REVIEW OF INTERIM RESULTS

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

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 has adopted its own code of conduct regarding securities transactions by Directors ("Ulferts Securities Code") on no less exacting terms than the required standards as set out in Appendix 10 of the Listing Rules – Model Code for Securities Transactions by 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 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.

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.

PUBLICATION OF THE UNAUDITED INTERIM RESULTS AND INTERIM REPORT

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

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

Hong Kong, 29 November 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