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 2020

RESULTS SUMMARY

HK$'000	**For the year ended 31 March**	
	2020	2019
Revenue	**218,853**	242,959
Retail	***198,594***	*226,795*
Wholesale & Special projects	***20,259***	*16,164*
Gross profit	**134,368**	152,264
Net (loss)	**(11,628)**	(3,978)

- Total revenue inevitably decreased by less than 10% only to HK$219 million, despite facing the unprecedented challenges of the local retail market
- Among the several retail lines, the sales revenue from "***at • home***" surged over 200% to HK$24 million
- Gross profit margin slightly adjusted from 62.7% to 61.4%
- With effective cost control measures and rationalisation of retail network, the loss situation during the second half of the Year was in a more controllable manner (the net loss during the first half of the Year was HK$10 million while the net loss for the Year was HK$12 million)
- A positive earnings before interest, taxes, depreciation and amortisation was maintained
- Efforts to improve working capital management were paid off, inventory notably decreased to HK$36 million (31 March 2019: HK$46 million); cash and cash equivalents increased to HK$64 million (31 March 2019: HK$59 million)
- Repaid all bank borrowings during the Year, hence gearing ratio was zero

The board of directors (the "Board" or "Directors") of Ulferts International Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 March 2020 (the "Year") together with the comparative figures for the corresponding year in 2019 as set out below.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
REVENUE	*4*	**218,853**	242,959
Cost of sales		**(84,485)**	(90,695)
Gross profit		**134,368**	152,264
Other income and gains	*4*	**4,137**	3,575
Selling and distribution expenses		**(124,637)**	(130,939)
General and administrative expenses		**(25,042)**	(29,281)
Finance cost		**(2,677)**	(240)
LOSS BEFORE TAX	*5*	**(13,851)**	(4,621)
Income tax credit	*6*	**2,223**	643
LOSS FOR THE YEAR AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(11,628)**	(3,978)
Attributable to:			
Owners of the parent		**(11,628)**	(3,978)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*8*		
Basic and diluted (expressed in HK cents per share)		**(1.45)**	(0.50)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2020

	Notes	2020 HK$'000	2019 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**18,343**	30,826
Right-of-use assets		**47,943**	–
Prepayments, deposits and other receivables		**10,387**	15,009
Deferred tax assets		**4,834**	2,468
Total non-current assets		**81,507**	48,303
CURRENT ASSETS			
Inventories		**36,399**	46,326
Trade receivables	*9*	**3,440**	9,404
Prepayments, deposits and other receivables		**14,467**	8,976
Tax recoverable		**–**	2,057
Cash and cash equivalents		**63,670**	59,469
Total current assets		**117,976**	126,232
CURRENT LIABILITIES			
Trade and bills payables	*10*	**4,455**	7,290
Other payables and accruals		**34,417**	43,147
Interest-bearing bank borrowings		**–**	4,002
Lease liabilities		**40,007**	–
Tax payable		**1,118**	–
Provisions		**4,422**	1,599
Total current liabilities		**84,419**	56,038
NET CURRENT ASSETS		**33,557**	70,194
TOTAL ASSETS LESS CURRENT LIABILITIES		**115,064**	118,497

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 March 2020

	2020	2019
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**12,440**	–
Provisions	**3,818**	6,827
Total non-current liabilities	**16,258**	6,827
Net assets	**98,806**	111,670
EQUITY		
Equity attributable to owners of the parent		
Share capital	**110,337**	110,337
Retained profits/(accumulated loss)	**(11,531)**	1,333
Total equity	**98,806**	111,670

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 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 2020 and 2019 included in this preliminary announcement of annual results 2020 does 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 the 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 2019 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 2020 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 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

Except for the amendments to HKFRS 9, HKAS 19, HKAS 28 and *Annual Improvements to HKFRSs 2015-2017 Cycle*, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the new and revised HKFRSs are described below:

(a) 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 to recognise and measure right-of-use assets and lease liabilities, except for certain recognition exemptions. Lessor accounting under HKFRS 16 is substantially unchanged from HKAS 17. Lessors continue to classify leases as either operating or finance leases using similar principles as in HKAS 17.

The Group reassessed a sublease arrangement at 1 April 2019 that was previously classified as an operating lease applying HKAS 17 based on the remaining contractual terms and conditions of the head lease and sublease at 1 April 2019, and determined that this arrangement is a finance lease applying HKFRS 16. Accordingly, the Group recognised a net investment in a sublease amounting to approximately HK$3,176,000 and derecognised the corresponding right-of-use asset of the head lease amounting to approximately HK$3,176,000.

The Group has adopted HKFRS 16 using the modified retrospective method with the date of initial application of 1 April 2019. Under this method, the standard has been applied retrospectively with the cumulative effect of initial adoption recognised as an adjustment to the opening balance of retained profits at 1 April 2019, and the comparative information for 2019 was not restated and continued to be reported under HKAS 17 and related interpretations.

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.

As a lessee – Leases previously classified as operating leases

Nature of the effect of adoption of HKFRS 16

The Group has lease contracts for certain of its office properties, retail stores, warehouses and equipment used in its operations. 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 leases with a lease term of 12 months or less ("short-term leases") (elected by class of underlying asset). Instead of recognising rental expenses under operating leases on a straight-line basis over the lease term commencing from 1 April 2019, the Group recognises depreciation (and impairment, if any) of the right-of-use assets and interest accrued on the outstanding lease liabilities (as finance costs).

Impact 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 and separately presented in the statement of financial position. The right-of-use assets 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:

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

- Using hindsight in determining the lease term where the contract contains options to extend/terminate the lease.

Financial impact at 1 April 2019

The impact arising from the adoption of HKFRS 16 at 1 April 2019 was as follows:

	HK$'000
Assets	
Increase in right-of-use assets	75,157
Increase in prepayments, deposits and other receivables	3,176
Increase in total 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 are as follows:

	HK$'000
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**

b) HK(IFRIC)-Int 23 addresses the accounting for income taxes (current and deferred) when tax treatments involve uncertainty that affects the application of HKAS 12 (often referred to as "uncertain tax positions"). The interpretation does not apply to taxes or levies outside the scope of HKAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The interpretation specifically addresses (i) whether an entity considers uncertain tax treatments separately; (ii) the assumptions an entity makes about the examination of tax treatments by taxation authorities; (iii) how an entity determines taxable profits or tax losses, tax bases, unused tax losses, unused tax credits and tax rates; and (iv) how an entity considers changes in facts and circumstances. Upon adoption of the interpretation, the Group considered whether it has any uncertain tax positions. The Group determined that the interpretation did not have any significant impact on the financial position or performance of the Group.

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 2020 and 2019 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 2020 and 2019 amounted to 10% or more of the total revenue of the Group.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

	2020	2019
	HK$'000	*HK$'000*
Revenue from contracts with customers		
Retail of furniture	**198,594**	226,795
Wholesale of furniture	**9,258**	11,777
Special projects – project sales and consultancy service arrangements	**11,001**	4,387
	218,853	242,959

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

	2020	2019
	HK$'000	*HK$'000*
Types of goods or services		
Sale of goods	**218,321**	242,879
Consultancy service arrangements	**532**	80
Total revenue from contracts with customers	**218,853**	242,959
Timing of revenue recognition		
At a point in time	**218,321**	242,879
Services transferred over time	**532**	80
Total revenue from contracts with customers	**218,853**	242,959

(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 is 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.

4. **REVENUE, OTHER INCOME AND GAINS** (continued)

An analysis of other income and gains is as follows:

	2020	2019
	HK$'000	*HK$'000*
Other service income	**1,305**	1,080
Rental income	**–**	1,181
Provision for reinstatement costs – reversal of unutilised provisions/decrease in estimated provisions	**219**	215
Gain on lease modification	**1,120**	–
Bank interest income	**930**	782
Others	**563**	317
	4,137	3,575

5. **LOSS BEFORE TAX**

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

	2020	2019
	HK$'000	*HK$'000*
Cost of inventories sold and services provided	**82,111**	89,985
Write-down of inventories to net realisable value	**2,374**	710
Total amount recognised as cost of sales	**84,485**	90,695
Depreciation of property, plant and equipment	**16,243**	10,358
Depreciation of right-of-use assets	**51,050**	–
Loss on disposal/write-off of items of property, plant and equipment*	**282**	3
Impairment of trade receivables, net	**102**	–
Minimum lease payments under operating leases	**–**	60,100
Lease payments not included in the measurement of lease liabilities	**4,539**	–
Contingent rents under operating leases	**–**	560

* 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% (2019: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2020	2019
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**138**	227
Under/(over) provision in prior years	**5**	(83)
Deferred	**(2,366)**	(787)
Total tax credit for the year	**(2,223)**	(643)

7. DIVIDEND

The board of directors of the Company does not recommend the payment of any final dividend for the year (2019: Nil).

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

The calculation of the basic loss per share amounts is based on the loss for the year attributable to ordinary equity holders of the parent of HK$11,628,000 (2019: HK$3,978,000) and the weighted average number of ordinary shares of 800,000,000 (2019: 800,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2020 and 2019.

The calculations of basic and diluted loss per share are based on:

	2020	2019
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the parent used in the basic and diluted loss per share calculation	**(11,628)**	(3,978)

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculation	**800,000,000**	800,000,000

9. TRADE RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**3,592**	9,454
Impairment	**(152)**	(50)
	3,440	9,404

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 service 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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**2,808**	8,266
1 to 3 months	**449**	974
Over 3 months	**183**	164
	3,440	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:

	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**3,613**	6,699
1 to 3 months	**34**	204
Over 3 months	**808**	387
	4,455	7,290

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

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 31 March 2020, the Group operated 21 points-of-sale ("POS") in Hong Kong, including 18 stores under several retail lines – "***Ulferts Signature***", "***Ulferts***", "***at • home***" and "***Dormire***", together with 2 department store counters and 1 pop-up store under "***Ulfenbo***". "***Ulferts***" is dedicated to transforming living spaces into ideal homes, and offers a wide variety of contemporary style furniture products targeting middle to high-mid income groups. "***at • home***" 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 its retail networks including department store counters, pop-up stores and roadshows, and wholesaling to over 200 dealers. Additionally, there are several online shopping platforms which maximise market coverage.

MARKET REVIEW

The local retail market experienced unprecedented challenges during the Year. The ongoing Sino-US trade dispute and local social issues unquestionably impacted economic development and consumer sentiment in Hong Kong. Unemployment rate continued to climb starting from the fourth quarter of 2019. The market landscape has further deteriorated since late January 2020 as the outbreak of coronavirus disease (COVID-19; the "Pandemic") continued to impact on operations across business segments, further dampened consumer confidence, affected the store traffic and disrupted the supply chain. Fears of a global economic recession increased, as a result of the public health crisis. New residential property sales launch slowed down in the first quarter of 2020, leading to a decrease in the number of residential property sales transactions; in addition, people tend to stay home amid the Pandemic, thereby weakening the market demand for home furniture.

FINANCIAL REVIEW

Overall Review

Against the backdrop of the down cycle of retail market, the Group's total revenue inevitably decreased by 9.9% to HK$218.9 million (2019: HK$243.0 million) during the Year. Gross profit decreased to HK$134.4 million (2019: HK$152.3 million). Gross profit margin slightly adjusted to 61.4% (2019: 62.7%).

Revenue from the retail segment amounted to HK$198.6 million (2019: HK$226.8 million), accounting for 90.7% (2019: 93.3%) of the Group's total revenue. Among the retail revenue, aggregate sales revenue of "***Ulferts***" and "***Ulferts Signature***" amounted to HK$153.7 million (2019: HK$187.2 million), and remained the key revenue contributor, accounting for 77.4% (2019: 82.5%) of total retail revenue. As some of the "***at • home***" stores commenced operation in the second half of the previous financial year only, and 1 store was newly opened during the Year, the sales revenue of "***at • home***" increased significantly by 225.7% to HK$24.1 million (2019: HK$7.4 million), accounting for 12.1% (2019: 3.3%) of total retail revenue.

Despite the retail slump, the Group managed to maintain a positive earnings before interest, taxes, depreciation and amortisation during the Year. The net loss during the first half of the Year was HK$10.3 million while the net loss for the Year was HK$11.6 million (2019: net loss of HK$4.0 million). Due to the implementation of aggressive and effective cost saving measures coupled with rationalisation of the retail network, the loss situation during the second half of the Year was in more controllable manner.

Capital Structure, Liquidity and Financial Resources

There was no change in the capital structure during the Year. The Group strived for better working capital management in light of the challenging economic climate. As at 31 March 2020, the Group's inventory notably decreased to HK$36.4 million (31 March 2019: HK$46.3 million), reflecting its effective inventory management control and stock replenishment policy. Meanwhile, cash and cash equivalents of the Group increased to HK$63.7 million (31 March 2019: HK$59.5 million), which were mainly denominated in Hong Kong dollars. As at 31 March 2020, bank borrowings of the Group was nil due to repayment of all bank borrowings during the Year (31 March 2019: HK$4.0 million), hence its gearing ratio was zero (31 March 2019: 3.6%). The Group has available banking facilities of approximately HK$87.1 million. The cash position and banking facilities available enable the Group to retain high flexibility and endurance to cater for future development and market uncertainty.

As at 31 March 2020, the Group's current assets and current liabilities were approximately HK$118.0 million (31 March 2019: HK$126.2 million) and HK$84.4 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 1.0 (31 March 2019: 1.4), respectively.

In view of the Group's financial position as at 31 March 2020, the Board considered that the Group had sufficient working capital for its operations and future development plans against market challenges.

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 2020 is set out below:

	Allocation of use of net proceeds *(HK$ million)*	**Actual use of net proceeds up to 31 March 2020** *(HK$ million)*
Capital expenditure, rental deposits and overhead expenses for opening of "***at • home***" retail stores	34.2	34.2
Strengthening the Group's product portfolio	24.2	24.2
Enhancing "***Ulfenbo***" sales channels and brand awareness	10.3	10.3
Capital expenditure and rental deposits for opening of "***Ulferts***" retail store	9.1	8.5
Upgrading information technology	5.7	0.3
General working capital	9.1	9.1
Total	**92.6**	**86.6**

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-mid 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 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. "***Ulfenbo***" products are also distributed at department store counters, pop-up stores and roadshows for enhancing the market reach.

- ***Diverse Product Portfolio***

  The Group offers a wide variety of furniture products – ranging from leather and fabric 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, Tonelli 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 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 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 2020, the Group had 21 POS (31 March 2019: 20) in Hong Kong. The number of POS in each retail line is as follows:

Retail Line	**Number of POS**
"***Ulferts Signature***"	1
"***Ulferts***"	5
"***at • home***"	4
"***Dormire***" and "***Ulfenbo***" department store counters and pop-up store	11
Total	**21**

"***Ulferts***" showrooms are strategically located in either upscale residential areas or major shopping areas, targeting middle to high-mid income groups. With its solid presence in these mature locations, the Group enjoys substantial foot traffic 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 opulent designs and sophisticated finishing and excellent craftsmanship. Premium brands including Cornelio Cappellini and Crystal Stone are available at "***Ulferts Signature***".

"***at • home***" stores are located in upscale shopping malls, and there has been growing awareness of the brand among residents and consumers. Meanwhile, "***Dormire***" specialty stores and "***Ulfenbo***" department store counters, pop-up stores and roadshows are situated in residential areas, to capitalise on the market potential. During the Year, 1 "***at • home***" store, 1 "***Dormire***" specialty store and 1 "***Ulfenbo***" pop-up store were opened in Kowloon Bay, Tin Shui Wai and Tsuen Wan respectively, to further expand market coverage in Kowloon and the New Territories.

- ***Excellent Customers Shopping Experience***
  "***Ulferts Signature***" and "***Ulferts***" showrooms are spacious, with a stylish and elegant environment, enabling the Group to display a wide spectrum of products for customers to touch and feel and 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 salespersons are well-trained and offer customers advice catering for their personal needs. In recognition of its service excellence, the Group was awarded the "2019 Service Retailers of the Year – Furniture & House Accessories Category" and the "Quality Service Leader Seasonal Award – Furniture & Home Accessories Category" (formerly known as "Quarterly Service Leader") during April to June, July to September and October to December 2019, in the Quality Service Programme (formerly known as "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 social media engagements, print advertisements, TV commercials, outdoor billboards and advertising 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, 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 six 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

The Pandemic and ongoing Sino-US trade war will continue casting shadows on the growth of the global economy. All the recent economic statistics have revealed that the local economy has been moving downward. As the economic outlook and employment prospects are uncertain, home buyers and investors are likely to delay the purchase of properties and property developers tend to slow down the launch of new properties, which may impair the market demand for home furniture.

Riding on its comprehensive product portfolio with a well-defined market segmentation, the Group will strive to increase the sales revenue by adjusting the product coverage and strengthening the promotional efforts. The Group will also continue to enhance its sales network and strengthen its market presence. Meanwhile, as some consumers refrained from making physical shop visits due to public health concerns, the Group will further explore online business by expanding social media engagements and enhancing the online sales platform.

Overall, the local market is adopting a wait-and-see attitude. The Group will closely monitor market conditions, and take all practical measures to cope with the challenges ahead, including the rationalisation of retail coverage, implementation of working capital management and cost-control measures. With a history of over 40 years in Hong Kong, the Group will endeavour to weather the storm in the face of difficult times along with Hong Kong.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2020, the Group's number of employees was 125 (2019: 137). Total staff costs including Directors' remuneration and the other staff costs for the Year were HK$41.9 million (2019: HK$47.7 million). Each employee's remuneration was determined in accordance with individual's responsibilities, competence and skills, experience and performance as well as market pay levels. Staff benefits include medical and life insurance, retirement benefits 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 any payment of a final dividend for the Year (2019: Nil).

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 audited 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 2020 and annual results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

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

Model Code for Securities Transactions

The Company had adopted its own code of conduct regarding securities transactions by Directors ("Ulferts Securities Code") on no less exacting terms than the required standards for securities dealings as 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 had 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, 11 June 2020

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