



2020/2021

INTERIM REPORT



歐化國際有限公司
Ulferts International Limited

Incorporated in Hong Kong with limited liability (Stock Code: 1711)

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FINANCIAL SUMMARY

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 2020 (the “Period”).

| <i>HK\$'000</i> | For the six months ended | |
|---|--------------------------|----------|
| | 30 September | |
| | 2020 | 2019 |
| Revenue | 97,833 | 113,796 |
| <i>Retail</i> | 92,774 | 105,247 |
| <i>Wholesale & Special projects</i> | 5,059 | 8,549 |
| Gross profit | 63,145 | 69,344 |
| <i>Gross profit margin</i> | 64.5% | 60.9% |
| EBITDA/(LBITDA)* | 7,302 | (3,631) |
| Net (loss) | (1,045) | (10,324) |

* *EBITDA/(LBITDA) represents earnings/(loss) before interest, tax, depreciation and amortisation, to reflect the Group's core operating performance. The Group has fully adopted HKFRS 16, pursuant to which a depreciation of right-of-use assets associated with lease was recorded in the Period and the same period last year.*

RESULTS

The COVID-19 pandemic (the “Pandemic”) continued to overshadow the economic outlook, and shrouded the market in uncertainties during the Period. Home buyers tended to delay the purchase of properties which impaired market demand for home furniture for new flats. On the other hand, people spent more time at home during the Pandemic due to public health concerns. The demand for home furniture market stayed resilient, despite the general weak consumption sentiment. The Group benefited from its abundant inventory which enabled it to fulfil the market demand notwithstanding the mandatory lockdowns of its suppliers during the first quarter of the Period.

During the Period, the Group’s total revenue inevitably decreased by 14.0% to HK\$97.8 million (2019: HK\$113.8 million), due to the unfavourable market situation. Gross profit decreased to HK\$63.1 million (2019: HK\$69.3 million), while gross profit margin increased to 64.5% (2019: 60.9%), attributable to a larger contribution from “*at • home*” which has a relatively higher gross profit margin.

Revenue from the retail segment amounted to HK\$92.8 million (2019: HK\$105.2 million), accounting for 94.8% (2019: 92.5%) of the Group’s total revenue. Among the retail revenue, aggregate sales revenue of “*Ulferts*” and “*Ulferts Signature*” amounted to HK\$64.1 million (2019: HK\$82.9 million), and remained the key revenue contributor, accounting for 69.1% (2019: 78.7%) of total retail revenue. Owing to the opening of an additional “*at • home*” store and the high comparable stores sales growth during the Period, the sales revenue of “*at • home*” increased significantly by 53.0% to HK\$16.5 million (2019: HK\$10.8 million), accounting for 17.8% (2019: 10.3%) of total retail revenue.

Attributable to a significant decrease in the Group’s operating costs as a result of the Group’s sound and effective cost control measures and channel rationalisation, coupled with a one-off other income recognised during the Period, the net loss of the Group during the Period narrowed to HK\$1.0 million (2019: HK\$10.3 million) with an EBITDA of HK\$7.3 million (2019: LBITDA of HK\$3.6 million).

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 of Hong Kong Limited since January 2018.

The Group has been established for over 45 years, and takes pride in providing superior quality stylish furniture in Hong Kong. As at 30 September 2020, the Group operated 22 points-of-sale ("POS") in Hong Kong, covering 5 retail lines – "**Ulferts Signature**", "**Ulferts**", "**at • home**", "**Dormire**" and "**Ulfenbo**". "**Ulferts**" and "**Ulferts Signature**" are dedicated to elevating customers' home living standard with style and quality, and offers a wide variety of contemporary style furniture products targeting middle to high end groups. "**at • home**" offers quality compact furniture to suit small living spaces for modern families. "**Dormire**", on the other hand, offers mattresses, pillows, sofas, 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, as well as wholesaling to over 200 dealers. Additionally, there are several online shopping platforms which maximise market coverage.

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. It offers a wide variety of contemporary style furniture products, enabling its customers to create their ideal homes. The Group operates "**Ulferts**" showrooms across Hong Kong, targeting middle to high-mid income groups. "**Ulferts Signature**" offers high-end branded furniture products and also luxury European tailor-made furniture. It targets up-market customers seeking a superior lifestyle.

MANAGEMENT DISCUSSION AND ANALYSIS

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 new 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, most of 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 Scandinavian 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 and pillows, in various sizes with varying supports and features, to meet diverse customer needs.

MANAGEMENT DISCUSSION AND ANALYSIS

- **Comprehensive Retail Sales Channel**

As at 30 September 2020, the Group had 22 POS in Hong Kong, with the number of outlets in each retail line as follows:

| Retail Line | Number of POS |
|---|---------------|
| “Ulferts Signature” | 1 |
| “Ulferts” | 5 |
| “at • home” | 4 |
| “Dormire”, and “Ulfenbo” department store counters and pop-up stores | 12 |
| Total | 22 |

“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 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, Malerba and Crystal Stone are available at **“Ulferts Signature”**.

“at • home” stores are generally located in shopping malls with a furniture theme, which help enhance its brand awareness. 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 Period, 2 **“Ulfenbo”** pop-up stores were opened in Shatin and Sheung Shui respectively, while 1 **“at • home”** mega pop-up store was opened in Mongkok subsequent to the Period, to further expand the market coverage.

MANAGEMENT DISCUSSION AND ANALYSIS

- ***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 received the “Quality Service Leader Seasonal Award – Furniture & Home Accessories Category” (formerly known as “Quarterly Service Leader”) award for the periods April to June and July to September 2020 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 coverage, 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.

Wholesale Business

The Group also operates a wholesale business spanning mattresses, sofas 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 cinemas, hotels, showflats, offices, staff quarters 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.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS

Looking beyond the current uncertainties, the Group remains committed to seeking and seizing new opportunities, and is well-prepared to excel in changing times. Riding on its comprehensive product portfolio with a well-defined market segmentation, the Group will strive to increase sales revenue by adjusting product coverage and strengthening promotional efforts. The Group will also continue to enhance its sales network and strengthen its market presence. Meanwhile, as some consumers are refraining from making physical store visits due to public health concerns, the Group will further develop online business by expanding social media engagements and enhancing the online sales platform.

As soon as the Pandemic situation is contained, it is believed that both property and retail markets will regain momentum. However, given the uncertain economic outlook, the Group will adopt a cautious approach, promptly react to market changes and take appropriate measures to improve its overall operating efficiency, to stay competitive in the marketplace and, ultimately, ensure it reaps the greatest potential once market momentum revives.

FINANCIAL INFORMATION

Capital Structure, Liquidity and Financial Resources

There was no change in the capital structure during the Period. Cash and cash equivalents of the Group increased to HK\$89.5 million (31 March 2020: HK\$63.7 million), which were mainly denominated in Hong Kong dollars. As at 30 September 2020, the Group did not have any bank borrowings (31 March 2020: nil), hence its gearing ratio was zero (31 March 2020: zero). The Group has available banking facilities of approximately HK\$82.4 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 30 September 2020, the Group's current assets and current liabilities were approximately HK\$141.4 million (31 March 2020: HK\$118.0 million) and HK\$83.8 million (31 March 2020: HK\$84.4 million), respectively. Current ratio and quick ratio of the Group were 1.7 (31 March 2020: 1.4) and 1.2 (31 March 2020: 1.0), respectively.

In view of the Group's financial position as at 30 September 2020, the Board considered that the Group had sufficient working capital for its operations and future development plans against market challenges.

MANAGEMENT DISCUSSION AND ANALYSIS

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 2020 is set out below:

| | Allocation of use of net proceeds (HK\$ million) | Actual use of net proceeds up to 30 September 2020 (HK\$ million) |
|--|---|---|
| Capital expenditure, rental deposits and overhead expenses for opening of “ <i>at • home</i> ” retail stores | 34.2 | 34.2 |
| Strengthening the Group’s product portfolio | 24.2 | 24.2 |
| Enhancing “ <i>Ulfenbo</i> ” sales channels and brand awareness | 10.3 | 10.3 |
| Capital expenditure and rental deposits for opening of “ <i>Ulferts</i> ” 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 |

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2020, the Group has 134 (2019: 140) employees. Total staff costs (including Directors’ remuneration and the other staff costs) were approximately HK\$22.7 million (2019: HK\$24.3 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 dividend for the Period (2019: Nil).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2020

| | Notes | Six months ended 30 September | |
|---|-------|----------------------------------|---------------------------------|
| | | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| REVENUE | 4 | 97,833 | 113,796 |
| Cost of sales | | (34,688) | (44,452) |
| Gross profit | | 63,145 | 69,344 |
| Other income | 4 | 6,573 | 1,872 |
| Selling and distribution expenses | | (56,824) | (66,743) |
| General and administrative expenses | | (13,109) | (13,268) |
| Finance costs | | (830) | (1,529) |
| LOSS BEFORE TAX | 5 | (1,045) | (10,324) |
| INCOME TAX | 6 | - | - |
| LOSS FOR THE PERIOD AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | | (1,045) | (10,324) |
| Attributable to: | | | |
| Owners of the parent | | (1,045) | (10,324) |
| LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | 8 | | |
| Basic and diluted (expressed in HK cents per share) | | (0.13) | (1.29) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 September 2020

| | | 30 September 2020 (unaudited) HK\$'000 | 31 March 2020 (audited) HK\$'000 |
|--|-------|---|---|
| | Notes | | |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 12,471 | 18,343 |
| Right-of-use assets | | 27,950 | 47,943 |
| Prepayments, deposits and other receivables | | 11,557 | 10,387 |
| Deferred tax assets | | 4,834 | 4,834 |
| Total non-current assets | | 56,812 | 81,507 |
| CURRENT ASSETS | | | |
| Inventories | | 37,588 | 36,399 |
| Trade receivables | 9 | 4,375 | 3,440 |
| Prepayments, deposits and other receivables | | 9,895 | 14,467 |
| Cash and cash equivalents | | 89,504 | 63,670 |
| Total current assets | | 141,362 | 117,976 |
| CURRENT LIABILITIES | | | |
| Trade and bills payables | 10 | 1,297 | 4,455 |
| Other payables and accruals | | 55,245 | 34,417 |
| Lease liabilities | | 19,622 | 40,007 |
| Tax payable | | 1,118 | 1,118 |
| Provisions | | 6,471 | 4,422 |
| Total current liabilities | | 83,753 | 84,419 |
| NET CURRENT ASSETS | | 57,609 | 33,557 |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | 114,421 | 115,064 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | 12,440 | 12,440 |
| Provisions | | 4,220 | 3,818 |
| Total non-current liabilities | | 16,660 | 16,258 |
| Net assets | | 97,761 | 98,806 |
| EQUITY | | | |
| Equity attributable to owners of the parent | | | |
| Share capital | | 110,337 | 110,337 |
| Accumulated losses | | (12,576) | (11,531) |
| Total equity | | 97,761 | 98,806 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2020

| | Share capital HK\$'000 | Retained profits/ (accumulated losses) HK\$'000 | Total equity HK\$'000 |
|--|------------------------------|---|-----------------------------|
| At 1 April 2019 (audited) | 110,337 | 97 | 110,434 |
| Loss and total comprehensive loss for the period | – | (10,324) | (10,324) |
| At 30 September 2019 (unaudited) | 110,337 | (10,227) | 100,110 |
| At 1 April 2020 (audited) | 110,337 | (11,531) | 98,806 |
| Loss and total comprehensive loss for the period | – | (1,045) | (1,045) |
| At 30 September 2020 (unaudited) | 110,337 | (12,576) | 97,761 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2020

| | Six months ended | |
|---|------------------|-------------|
| | 30 September | |
| | 2020 | 2019 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Net cash from (used in) operating activities | 46,107 | (4,855) |
| Net cash used in investing activities | (35) | (1,095) |
| Net cash (used in) from financing activities | (20,238) | 1,881 |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | 25,834 | (4,069) |
| Cash and cash equivalents at beginning of period | 63,670 | 59,469 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | 89,504 | 55,400 |
| ANALYSIS OF BALANCE OF CASH AND CASH EQUIVALENTS | | |
| Cash and bank balances | 89,504 | 55,400 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

I. BASIS OF PREPARATION

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

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

These unaudited condensed consolidated financial statements should be read in conjunction with the annual consolidated financial statements for the year ended 31 March 2020.

The financial information relating to the year ended 31 March 2020 that is included in this interim report 2020 does not constitute the Company’s statutory annual consolidated financial statements for 2020 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 2020 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 2020. 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 3
Amendments to HKFRS 9,
HKAS 39 and HKFRS 7
Amendments to HKFRS 16

Definition of a Business
Interest Rate Benchmark Reform

Amendments to HKAS 1 and HKAS 8

*Covid-19 – Related Rent
Concessions (early adoption)*
Definition of Material

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

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 six months ended 30 September 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. REVENUE AND OTHER INCOME

An analysis of revenue is as follows:

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Revenue from contracts with customers | | |
| Retail of furniture | 92,774 | 105,247 |
| Wholesale of furniture | 4,107 | 5,471 |
| Special projects – project sales and consultancy service arrangements | 952 | 3,078 |
| | 97,833 | 113,796 |

Revenue from contracts with customers

Disaggregated revenue information

| | Six months ended 30 September | |
|---|----------------------------------|---------------------------------|
| | 2020 (unaudited) HK\$'000 | 2019 (unaudited) HK\$'000 |
| Types of goods or services | | |
| Sale of goods | 97,833 | 113,333 |
| Consultancy service arrangements | – | 463 |
| Total revenue from contracts with customers | 97,833 | 113,796 |
| Timing of revenue recognition | | |
| At a point in time | 97,833 | 113,333 |
| Services transferred over time | – | 463 |
| Total revenue from contracts with customers | 97,833 | 113,796 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

4. REVENUE AND OTHER INCOME (Continued)

Revenue from contracts with customers (Continued)

Disaggregated revenue information (Continued)

| | Six months ended 30 September | |
|----------------------|----------------------------------|-------------|
| | 2020 | 2019 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Other income | | |
| Government subsidies | 5,674 | – |
| Other service income | 513 | 627 |
| Bank interest income | 312 | 342 |
| Others | 74 | 903 |
| | 6,573 | 1,872 |

5. LOSS BEFORE TAX

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

| | Six months ended 30 September | |
|---|----------------------------------|-------------|
| | 2020 | 2019 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Cost of inventories sold and services provided | 34,688 | 42,804 |
| Write-down of inventories to net realisable value | – | 1,648 |
| Total amount recognised as cost of sales | 34,688 | 44,452 |
| Depreciation of property, plant and equipment | 8,347 | 6,672 |
| Depreciation of right-of-use assets | 21,647 | 27,883 |
| Loss on disposal/write-off of items of property, plant and equipment | 11 | 281 |
| Lease payments not included in the measurement of lease liabilities | 1,364 | – |
| Employee benefit expense (including directors' and chief executive's remuneration): | | |
| Wages, salaries, bonuses and allowances | 21,894 | 23,416 |
| Pension scheme contributions (defined contribution schemes) | 825 | 891 |
| | 22,719 | 24,307 |
| Foreign exchange differences, net | (49) | (106) |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

6. INCOME TAX

The Group did not generate any assessable profits arising in Hong Kong during the Period (2019: Nil).

7. DIVIDEND

The Board has resolved not to declare any interim dividend for the Period (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 Period attributable to ordinary equity holders of the parent of HK\$1,045,000 (2019: HK\$10,324,000) and the weighted average number of ordinary shares of 800,000,000 (2019: 800,000,000) in issue during the Period.

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

The calculation of basic loss per share is based on:

| | Six months ended 30 September | |
|--|----------------------------------|-------------|
| | 2020 | 2019 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Loss | | |
| Loss attributable to ordinary equity holders of the parent used in the basic loss per share calculation | (1,045) | (10,324) |
| | Number of shares | |
| Shares | | |
| Weighted average number of ordinary shares in issue during the Period used in the basic loss per share calculation | 800,000,000 | 800,000,000 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

9. TRADE RECEIVABLES

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:

| | 30 September 2020 (unaudited) HK\$'000 | 31 March 2020 (audited) HK\$'000 |
|----------------|---|---|
| Within 1 month | 3,710 | 2,808 |
| 1 to 3 months | 527 | 449 |
| Over 3 months | 138 | 183 |
| | 4,375 | 3,440 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

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:

| | 30 September 2020 (unaudited) HK\$'000 | 31 March 2020 (audited) HK\$'000 |
|----------------|---|---|
| Within 1 month | 856 | 3,613 |
| 1 to 3 months | 1 | 34 |
| Over 3 months | 440 | 808 |
| | 1,297 | 4,455 |

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

11. CONTINGENT LIABILITIES

At end of reporting period, contingent liabilities not provided for by the Group in the financial statements were as follows:

| | 30 September 2020 (unaudited) HK\$'000 | 31 March 2020 (audited) HK\$'000 |
|---|---|---|
| In connection with a bank guarantee given to a landlord in lieu of rental deposit required under a certain tenancy agreement | 1,773 | 2,535 |
| In connection with a bank guarantee given to a customer in lieu of a surety bond required under a certain project sales agreement | – | 171 |
| | 1,773 | 2,706 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

12. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions, arrangements and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the Period:

| | Six months ended | |
|--|------------------|-------------|
| | 30 September | |
| | 2020 | 2019 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Project sales | 479 | 463 |
| Lease expenses | 3,111 | 4,250 |
| Reimbursement of administrative expenses | 2,864 | 1,783 |
| Financial advisory fees | 150 | 140 |
| Company secretarial fees | 80 | 80 |

The above related companies were beneficially owned by a director of the Company or private discretionary trusts of which Dr. Albert Yeung is also the founder.

- (b) Compensation of key management personnel of the Group:

| | Six months ended | |
|---|------------------|-------------|
| | 30 September | |
| | 2020 | 2019 |
| | (unaudited) | (unaudited) |
| | HK\$'000 | HK\$'000 |
| Fees | 570 | 570 |
| Short-term employee benefits | 2,677 | 3,130 |
| Post-employment benefits | 99 | 103 |
| | 2,776 | 3,233 |
| Total compensation paid to key management personnel | 3,346 | 3,803 |

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 September 2020

13. FAIR VALUE AND FAIR VALUE HIERARCHY

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

At the end of the reporting period, the carrying amounts of the Group's financial assets and financial liabilities reasonably approximated to their fair values.

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, trade and bills payables and financial liabilities included in other payables and accruals reasonably approximate to their carrying amounts largely due to the short term maturities/repayable on demand of these instruments or the effect of discounting is not material.

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

As at 30 September 2020, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")) as recorded in the register maintained by the Company pursuant to Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors adopted by the Company ("Ulferts Securities Code") were as follows:

(a) Long positions interests in the Company

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

(b) Long positions interests in associated corporations of the Company

Ordinary shares

| Name of Director | Name of associated corporation | Capacity/Nature of interests | Number of Shares interested | % of issued voting Shares |
|----------------------------|--|------------------------------|-----------------------------|---------------------------|
| Ms. Fan Man Seung, Vanessa | Emperor International Holdings Limited ("Emperor International") | Beneficial owner | 10,500,000 | 0.29% |

Debentures

| Name of Director | Name of associated corporation | Capacity/Nature of interests | Amount of Debentures held |
|------------------|--------------------------------|------------------------------------|---------------------------|
| Mr. Wong Chi Fai | Emperor International | Interest of controlled corporation | HK\$2,000,000 |

Save as disclosed above, as at 30 September 2020, none of the Directors nor chief executives of the Company had any interests or short positions in any Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO).

OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SECURITIES

So far as is known to any Director or chief executive of the Company, as at 30 September 2020, the following persons or corporations (other than a Director or chief executive of the Company) who had, or were deemed or taken to have interests and short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO ("DI Register") were as follows:

Long positions in the Shares

| Name | Capacity/Nature of interests | Number of Shares interested | % of issued voting Shares |
|---|--|-----------------------------|---------------------------|
| Albert Yeung Investments Holdings Limited ("AY Investments Holdings") | Interest in a controlled corporation | 600,000,000 | 75% |
| First Trust Management AG ("First Trust") | Trustee of a private discretionary trust | 600,000,000 | 75% |
| Dr. Albert Yeung | Founder of a private discretionary trust | 600,000,000 | 75% |
| Ms. Luk Siu Man, Semon ("Ms. Semon Luk") | Interest of spouse | 600,000,000 | 75% |

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

Save as disclosed above, as at 30 September 2020, the Directors or chief executives of the Company were not aware of any persons or corporations (not being a Director and chief executive of the Company) who had, or were deemed or taken to have, any interests or short positions in Shares or underlying Shares as recorded in the DI Register.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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 Board has adopted the Ulferts Securities Code as its own code of conduct regarding securities transactions by Directors on no less exacting terms than the required standards of dealings as set out in Appendix 10 of the Listing Rules regarding 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 the Ulferts Securities Code throughout the Period.

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

SHARE OPTIONS

The Company adopted a share option scheme (“Share Option Scheme”) on 8 January 2018 to provide incentive or rewards to participants including the Directors and eligible employees of the Group. No options were granted under the Share Option Scheme since its adoption and up to 30 September 2020.

CHANGE IN INFORMATION OF DIRECTORS

The Company is not aware of any changes in the Director’s information which is required to be disclosed pursuant to Rule 13.51(B) of the Listing Rules since the date of the 2019/2020 Annual Report.

CORPORATE GOVERNANCE AND OTHER INFORMATION

REVIEW OF INTERIM REPORT

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

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

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

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

Hong Kong, 18 November 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