

Ulferts International Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) is a leading retailer of high quality home furniture mainly imported from Europe. The Company’s shares have been 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 40 years, and takes pride in providing superior quality stylish furniture in Hong Kong. As at 31 March 2021, the Group operated 23 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 and home accessories to suit small living spaces for modern families. “*Dormire*”, on the other hand, offers mattresses, pillows, sofas, and other ancillary items under the Group’s self-owned brand “*Ulfenbo*”, targeting the mass market. “*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.

RESULTS

Despite a challenging retail landscape during the Year, the Group’s total revenue increased to HK\$234.5 million (2020: HK\$218.9 million). Gross profit increased by 13.8% to HK\$152.9 million (2020: HK\$134.4 million), while gross profit margin increased by 3.8 percentage points to 65.2% (2020: 61.4%), mainly attributable to a larger contribution from “*at • home*” which enjoyed a higher profit margin.

Revenue from the retail segment amounted to HK\$217.0 million (2020: HK\$198.6 million), accounting for 92.5% (2020: 90.7%) of the Group’s total revenue. Among the retail revenue, aggregate sales revenue of “*Ulferts*” and “*Ulferts Signature*” amounted to HK\$151.4 million (2020: HK\$153.7 million), and remained the key revenue contributor, accounting for 69.8% (2020: 77.4%) of total retail revenue. The sales revenue of “*at • home*” reported a growth of 68.0% to HK\$40.5 million (2020: HK\$24.1 million), accounting for 18.7% (2020: 12.1%) of total retail revenue.

Attributable to an increase in revenue, and a decrease in operating costs as a result of the Group’s sound and effective cost control measures, coupled with a one-off other income recognised during the Year, the Group was able to achieve a net profit of HK\$16.8 million during the Year (2020: net loss of HK\$11.6 million), while a net loss of HK\$1.0 million was recorded for the six months ended 30 September 2020, indicating a turnaround during the

second half of the Year. An earnings before interest, tax, depreciation and amortization increased markedly to HK\$35.2 million (2020: HK\$2.5 million).

Basic earnings per share was HK2.10 cents (2020: basic loss of HK1.45 cents per share). The Group has recommended the payment of a final dividend of HK0.63 cent (2020: Nil) per share.

MARKET REVIEW

The Covid-19 pandemic is taking a toll on the whole world. Nevertheless, the regional as well as global stock markets stayed resilient during the Year and, in tandem with the low interest environment, laid a solid foundation for Hong Kong's property market. Local property developers have continued launching new residential units, and transactions in the second-hand property market have seen good progress in recovering from the beginning of the Year. Supported by the recent roll-out of vaccination programs, store traffic has seen a slight improvement, and consumer confidence has been gradually picking-up. Despite the high unemployment rate, local consumption sentiment, in particular regarding home furniture, regained momentum during the second half of the Year. On the other hand, customer demand for home furniture and related products became more sophisticated, as consumers spent more time at home due to public health concerns, which provided more market opportunities.

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, popup 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, in various sizes with varying supports, to meet diverse customer needs.

▪ **Comprehensive Retail Sales Channel**

As at 31 March 2021, the Group had 23 POS in Hong Kong. The number of POS in each retail line is as follows:

Retail Line	Number of POS
“ <i>Ulferts Signature</i> ”	1
“ <i>Ulferts</i> ”	4
“ <i>at • home</i> ”	5
“ <i>Dormire</i> ”, and “ <i>Ulfenbo</i> ” department store counters and pop-up store	13
Total	23

“*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 which carries a furniture theme, and there has been growing awareness of the brand among residents and shoppers. 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*" mega pop-up store was opened in Mongkok, and 3 "*Ulfenbo*" pop-up stores were opened in Shatin, Sheung Shui and Tuen Mun respectively, to further expand the market coverage.

- **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, homelike comfort. The salespersons are well-trained and offer customers advice catering for their personal needs. In recognition of its service excellence, "*Ulferts*" received the "Quality Service Leader Seasonal Award – Furniture & Home Accessories Category" ("Quarterly Service Leader Award") award for the periods April to June 2020 and July to September 2020, as well as the "2020 Quality Service Retailer of the Year – Furniture & Home Accessories Category", while "*at • home*" received the Quarterly Service Leader Award for the period January to March 2021, 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 seven 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.

PROSPECTS

Looking ahead, the economies of countries across the world will continue to be hit hard by the pandemic, posing challenges for the macro-economic environment. However, China’s overall economy has been recovering rapidly, providing a solid back-up to the local economy. Though there are still a few sporadic local outbreaks, social activities have gradually returned to relatively normal, providing favourable conditions for the retail market. Many industry leaders have expressed hopes that mass vaccine inoculation will speed up the resumption of travel and revival of the economy. It is generally believed that both retail and property markets will then exhibit an even more obvious recovery in momentum. The Group therefore remains cautiously optimistic about the future retail market.

Consumers are increasingly using online platforms to make purchases during the pandemic. In response, the Group continues enhancing its online sales platforms, and showcases and promotes its furniture products on mobile apps or by social media engagements. Meanwhile, the Group will also continue enhancing its sales network and strengthening its market presence. As the macro environment remains uncertain in the near term, the Group will closely monitor the market situation, and make adjustments in response to changes, and strive to achieve sustainable growth in the long term.

FINANCIAL INFORMATION

Capital Structure, Liquidity and Financial Resources

There was no change in the capital structure during the Year. Cash and cash equivalents of the Group increased to HK\$93.7 million (2020: HK\$63.7 million) as at 31 March 2021, which were mainly denominated in Hong Kong dollars. As at 31 March 2021, bank borrowings of the Group was nil (2020: nil), hence its gearing ratio was zero (2020: zero). The Group has available banking facilities of approximately HK\$97.0 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 2021, the Group's current assets and current liabilities were approximately HK\$162.7 million (2020: HK\$118.0 million) and HK\$83.2 million (2020: HK\$84.4 million), respectively. Current ratio and quick ratio of the Group were 2.0 (2020: 1.4) and 1.4 (2020: 1.0), respectively.

In view of the Group's financial position as at 31 March 2021, 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 2021 is set out below:

	Allocation of use of net proceeds <i>(HK\$ million)</i>	Actual use of net proceeds up to 31 March 2020 <i>(HK\$ million)</i>
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	9.1
Upgrading information technology	5.7	0.6
General working capital	9.1	9.1

Total

92.6

87.5