

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 45 years, and takes pride in providing superior quality stylish furniture in Hong Kong. As at 31 March 2023, the Group operated 26 points of-sale (“POS”) in Hong Kong under the trade names of “*Ulferts Signature*”, “*Ulferts*” and “*at • home*”, which specialise in furniture products, as well as “*Ulfenbo*” and “*Slumberland*”, which specialise in mattresses and bedding products.

“*Ulferts*” and “*Ulferts Signature*” are dedicated to elevating customers’ home living standard with style and quality, and offer 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 of modern families.

Targeting the mass market, “*Ulfenbo*” offers mattresses, pillows, sofas, sofas and other ancillary items, which are distributed through “*Ulfenbo*” specialty stores, 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.

The Group is the sole agent of “*Slumberland*” and “*Vono*” in Hong Kong and Macau. “*Slumberland*” is a well-known British mattress brand offering premium mattresses for households and hotels, targeting high-end market while “*Vono*”, another British mattress brand, targets the mass market. In addition to mattresses, both brands also offer pillows and bedding products which are distributed through wholesaling to over 100 dealers.

RESULTS

Due to a tough business operating environment, the Group’s total revenue inevitably decreased to HK\$216.1 million (2022: HK\$225.5 million) during the year ended 31 March 2023 (the “Year”). Gross profit was HK\$133.2 million (2022: HK\$142.6 million).

Revenue from the retail segment amounted to HK\$195.0 million (2022: HK\$212.2 million), accounting for 90.2% (2022: 94.1%) of the Group’s total revenue. Aggregate retail sales revenue of “*Ulferts*” and “*Ulferts Signature*” amounted to HK\$110.0 million (2022: HK\$136.4 million), and remained the key revenue contributor, accounting for 56.4% (2022: 64.3%) of total retail revenue. Aggregate retail sales revenue of

“*Slumberland*” and “*Ulfenbo*” increased to HK\$48.2 million (2022: HK\$31.6 million), accounting for 24.7% (2022: 14.9%) of total retail revenue. The retail sales revenue of “*at • home*” was HK\$36.8 million (2022: HK\$44.2 million), accounting for 18.9% (2022: 20.8%) of total retail revenue.

With a decline in the Group’s total revenue and the recognition of a significant amount of impairment allowance relating to the right-of-use assets and property, plant and equipment after the impairment assessment, the Group recorded a net loss of HK\$21.0 million (2022: net profit of HK\$4.1 million) during the Year. Basic loss per share was HK2.63 cents (2022: basic earnings of HK0.52 cent per share).

MARKET REVIEW

With a number of macroeconomic issues such as on-going interest rate hikes, tightened monetary policies and geopolitical tensions, the local property market generally remained weak in 2022, and the value index of retail sales of furniture declined during 2022, according to the Hong Kong monthly retail sales figures published by the Census and Statistics Department of Hong Kong. Although the border was fully reopened in the last quarter of the Year and prompted property developers to accelerate the launch of new properties, it would take time for the catalyst to drive the furniture market; the furniture market remained gloomy over the Year.

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 tailormade furniture. It targets up-market customers seeking a superior lifestyle. Another retail line, “*at • home*”, offers quality, stylish and compact furniture. It targets the midrange segment and is geared towards the needs of young couples and new families.

With over 100 years' history, the British brand "*Slumberland*" targets up-market customers and is committed to providing premium mattresses that enable customers to enjoy better and healthier sleep, while "*Vono*", another British mattress brand owned by the same supplier targets the mass market. The products of "*Slumberland*" and "*Vono*" are distributed through the stores of "*Ulferts*", "*at • home*" and "*Ulfenbo*" as well as department store counters of "*Slumberland*". "*Ulfenbo*" products focus on mass market consumers who demand quality but affordable mattresses, pillows and other ancillary items to enhance their sleep experience. "*Ulfenbo*" products are distributed through "*Ulfenbo*" 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, Gamma, MIDJ, Bonaldo, egoitaliano and MALERBA, 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.

▪ **Comprehensive Retail Sales Channel**

As at 31 March 2021, the Group had 26 POS in Hong Kong, with the number of outlets in each retail line as follows:

Retail Line	Number of POS
Furniture Products	
<i>"Ulferts Signature"</i>	1
<i>"Ulferts"</i>	3
<i>"at • home"</i>	5
Mattresses and Bedding Products	
<i>"Slumberland"</i> store and department store counters	6
<i>"Ulfenbo"</i> department store counters and pop-up store	11
Total	26

“*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, “*Ulfenbo*” stores, department store counters, pop-up stores and roadshows are situated in residential areas, to capitalise on the market potential.

During the Year, a “*Slumberland*” store-within-a-store was opened inside the “*Ulferts*” showroom at Telford Plaza, and a “*Slumberland*” counter was opened in a department store in Sham Shui Po.

▪ **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**

“*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” for the periods April to June 2022 and January to March 2023, and 2022 Quality Service Retailer of the Year – Furniture & Home Accessories Category Award, while “*at • home*” received the “Quality Service Leader Seasonal Award – Furniture & Home Accessories Category” for the period July to September 2022, in the Quality Service Programme organised by the Hong Kong Retail Management Association.

Wholesale Business

The Group operates a wholesale business spanning mattresses, sofas and sofas under its self-owned label “*Ulfenbo*”, through over 200 dealers in Hong Kong. Based on its long establishment and quality products, the “*Ulfenbo*” brand has been recognised by the “Hong Kong Top Brand Mark” for nine 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. In addition, the Group distributes “*Slumberland*” and “*Vono*” mattresses through over 100 dealers in Hong Kong and Macau.

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 designing, through procuring custom-made furniture to final installation for corporate customers, as well as liaison services with furniture manufacturers.

PROSPECTS

Due to the interest rate hike, the property market remains weak with disappointing number of property transactions. The relaxation of travel restrictions has diverted people’s attention from domestic spending to overseas travel. The demand for furniture has declined and competition among players in the industry has intensified. The Group expects the situation to persist for some time before demand to gradually pick up again. Riding on its comprehensive product portfolio with well-defined market segmentation, the Group will strive to strengthen its market position by enriching the product offering and launching more vigorous promotions. The addition of “*Slumberland*” and “*Vono*” to its portfolio has helped to enhance its market presence in both the up-market segment and

the mass market .The Group will adhere to its prudent financial and capital management policy, and continue exercising stringent control over operating costs, in order to enhance operating efficiency and improve profitability.

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 was HK\$62.1 million (2022: HK\$76.8 million), which were mainly denominated in Hong Kong dollars. As at 31 March 2023, bank borrowings of the Group was nil (2022: nil), hence its gearing ratio was zero (2022: zero). The Group has available banking facilities of approximately HK\$89.5 million as at 31 March 2023. The cash position and the available banking facilities enable the Group to retain high flexibility and endurance to cater for future development and market uncertainty.

As at 31 March 2023, the Group's current assets and current liabilities were approximately HK\$128.2 million (2022: HK\$153.7 million) and HK\$69.9 million (2022: HK\$94.0 million), respectively. Current ratio and quick ratio of the Group were 1.8 (2022: 1.6) and 1.2 (2022: 1.0), respectively.

In view of the Group's financial position as at 31 March 2023, the Board considered that the Group had sufficient working capital for its operations and future development plans against market challenges.