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歐化國際有限公司
Ulferts International Limited

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

2021/2022 ANNUAL RESULTS ANNOUNCEMENT

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 2022 (the “Year”).

FINANCIAL SUMMARY

HK\$'000

	For the year ended 31 March	
	2022	2021
Revenue	225,457	234,504
Retail	212,166	216,979
Wholesale & Special projects	13,291	17,525
Gross profit	142,637	152,891
Net profit	4,142	16,826
Basic earnings per share	HK0.52 cent	HK2.10 cents
Total dividends per share	HK0.50 cent	HK0.63 cent

MANAGEMENT DISCUSSION AND ANALYSIS

RESULTS

Facing the unfavourable market conditions resulting from the ongoing pandemic, the Group's total revenue decreased slightly to HK\$225.5 million (2021: HK\$234.5 million). Gross profit decreased to HK\$142.6 million (2021: HK\$152.9 million).

Revenue from the retail segment amounted to HK\$212.2 million (2021: HK\$217.0 million), accounting for 94.1% (2021: 92.5%) of the Group's total revenue. Aggregate sales revenue of “*Ulferts*” and “*Ulferts Signature*” amounted to HK\$136.4 million (2021: HK\$151.4 million), and remained the key revenue contributor, accounting for 64.3% (2021: 69.8%) of total retail revenue. The sales revenue of “*at • home*” grew by 9.1% to HK\$44.2 million (2021: HK\$40.5 million), accounting for 20.8% (2021: 18.7%) of total retail revenue.

The Group's net profit was HK\$4.1 million (2021: HK\$16.8 million) for the Year. Basic earnings per share was HK0.52 cent (2021: HK2.10 cents). The Board has recommended the payment of a final dividend of HK0.50 cent (2021: HK0.63 cent) per share.

MARKET REVIEW

During the first half of the Year, the local pandemic situation came somewhat under control, and the economy was on track towards recovery. The public's daily activities broadly returned to normal, and local consumption sentiment revived. However, in the second half of the Year, the fifth wave of the pandemic in Hong Kong was severe, greatly challenging anti-pandemic measures. Meanwhile, external concerns also loomed over Hong Kong throughout the Year. Sino-American contention and geopolitical issues remained unsolved, and the volatility of the stock market remained high. In light of the uncertain macroeconomic outlook and the surging local unemployment rate, Hong Kong recorded a plunge in local property transactions, while the retail market suffered from the sluggish consumption sentiment.

BUSINESS REVIEW

The Group is a leading retailer of high quality home furniture mainly imported from Europe. The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since January 2018 (the “IPO”).

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 2022, the Group operated 28 points-of-sale (“POS”) in Hong Kong under “*Ulferts Signature*”, “*Ulferts*” and “*at • home*”, which specialise in furniture products, as well as “*Ulfenbo*”/“*Dormire*” 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 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 of modern families.

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

In February 2022, the Group became 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 which are distributed through wholesaling to over 100 dealers, both brands also offer pillows and bedding products.

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. 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.

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. "*Slumberland*" products are distributed through its store and department store counters. Besides, mattresses of "*Vono*", another British brand which targets middle income group, are also distributed at the store or 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*"/"*Dormire*" 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 and egoitaliano, with 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 style home accessories.

The Group also specialises in mattress products, with "*Slumberland*" covering the high-end market and "*Vono*" and "*Ulfenbo*" covering the mass market. "*Slumberland*" mainly offers mattresses with its unique posture springing system which enhances the comfort and support of the body. Besides, the Group offers mattresses, pillows, sofas, sofabeds, beds, as well as other ancillary items under its self-owned label "*Ulfenbo*". By providing different models of mattresses and pillows in various sizes with varying supports and features, the Group endeavours to meet diverse customer needs.

- ***Comprehensive Retail Sales Channel***

As at 31 March 2022, the Group had 28 POS in Hong Kong, with the number of outlets in each retail line as follows:

	Number of POS
Furniture Products	
“ <i>Ulferts Signature</i> ”	1
“ <i>Ulferts</i> ”	4
“ <i>at • home</i> ”	5
Mattresses and Bedding Products	
“ <i>Slumberland</i> ” store and department store counters	5
“ <i>Ulfenbo</i> ”/“ <i>Dormire</i> ” stores, department store counters and pop-up stores	13
	<hr/>
Total	28
	<hr/> <hr/>

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

During the Year, two “*at • home*” stores were opened in Tseung Kwan O and Causeway Bay, and three “*Ulfenbo*” stores were opened in Prince Edward, Tsuen Wan and Yau Tong, to further expand the market coverage. Amongst these stores, the “*at • home*” store located at Fashion Walk, Causeway Bay and the “*Ulfenbo*” store at Yau Tong are respectively the flagship stores of “*at • home*” and “*Ulfenbo*”, occupying over 10,000 square feet and 2,000 square feet. Both flagship stores were well received by consumers.

During the Year, the Group has been appointed as the sole agent of “*Slumberland*” and “*Vono*” mattresses, pillows and bedding accessories in Hong Kong and Macau. There was one “*Slumberland*” showroom in MegaBox, Kowloon Bay, and four department store counters in Causeway Bay, Sheung Wan, Jordan and Tsim Sha Tsui East.

- ***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, “*Ulferts*” received the “Quality Service Leader Seasonal Award – Furniture & Home Accessories Category” award for the period October to December 2021, while “*at • home*” received the “2021 Quality Service Retailer of the Year – Furniture & Home Accessories Category”, in the Quality Service 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 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 eight 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.

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

The local economy, including the labour market, is showing signs of improvement subsequent to the Year. There was a recent upturn in local consumption, in particular with the rollout of consumption vouchers amid the gradual relaxation of anti-pandemic measures. The Group expects consumer confidence in Hong Kong to fully recover in due course. Boosted by the government’s housing policy and property developers’ resumption in launching new residential units, it is generally believed that both retail and property markets will exhibit a stable recovery. 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 and by social media engagements. In the face of challenges arising from the pandemic and external uncertainties, the Group will promptly react to market changes and implement prudent financial and capital management policy for enhancing operating efficiency. Meanwhile, the Group will strengthen its market presence by expanding the retail network, so it can fully seize opportunities once the market revives.

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\$76.8 million (2021: HK\$93.7 million), which were mainly denominated in Hong Kong dollars. As at 31 March 2022, bank borrowings of the Group was nil (2021: nil), hence its gearing ratio was zero (2021: zero). The Group has available banking facilities of approximately HK\$83.1 million as at 31 March 2022. 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 2022, the Group's current assets and current liabilities were approximately HK\$153.7 million (2021: HK\$162.7 million) and HK\$94.0 million (2021: HK\$83.2 million), respectively. Current ratio and quick ratio of the Group were 1.6 (2021: 2.0) and 1.0 (2021: 1.4), respectively.

In view of the Group's financial position as at 31 March 2022, the Board considered that the Group had sufficient working capital for its operations and future development plans against market challenges.

Use of Proceeds

The net proceeds from the IPO in January 2018 amounting to approximately HK\$92.6 million were fully utilised during the Year. An analysis of the utilisation of the net proceeds up to 31 March 2022 is presented below:

	Up to 31 March 2021 Planned allocation of use of net proceeds (HK\$ million)	**Reallocation of use of net proceeds (HK\$ million)	Up to 31 March 2022 Actual use of net proceeds (HK\$ million)
Capital expenditure, rental deposits and overhead expenses for opening of “ <i>at • home</i> ” retail stores	34.2	39.3	39.3
Strengthening the Group's product portfolio	24.2	24.2	24.2
Enhancing “ <i>Ulfenbo</i> ” sales channels and brand awareness	10.3	10.3	10.3
Capital expenditure and rental deposits for opening of “ <i>Ulferts</i> ” retail store	9.1	9.1	9.1
Upgrading information technology system	5.7	0.6	0.6
General working capital	9.1	9.1	9.1
Total	92.6	92.6	92.6

** Details of the reallocation of use of net proceeds were disclosed in the announcement of the Company dated 28 July 2021.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2022, the Group's number of employees was 144 (2021: 138). Total staff costs including Director's remuneration and the other staff costs for the Year were HK\$44.9 million (2021: HK\$45.7 million). Each employee's remuneration was determined in accordance with individual's responsibility, 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. The Company has adopted a share option scheme to provide incentives or rewards to its staff.

FINAL DIVIDEND

The Board is pleased to recommend the payment of a final dividend of HK0.50 cent (2021: HK0.63 cent) per share ("Final Dividend") for the Year, subject to the approval of the shareholders at the forthcoming annual general meeting of the Company ("AGM") to be held on 25 August 2022 (Thursday). If approved, the Final Dividend will be paid on 16 September 2022 (Friday) to shareholders whose names appear on the register of members of the Company on 6 September 2022 (Tuesday).

CLOSURE OF REGISTER OF MEMBERS

For ascertaining shareholders' right to attend and vote at AGM

Latest time to lodge transfers	4:30 p.m. on 19 August 2022 (Friday)
AGM	25 August 2022 (Thursday)

For ascertaining shareholders' entitlement to the proposed Final Dividend

Latest time to lodge transfers	4:30 p.m. on 2 September 2022 (Friday)
Book close dates	5 September 2022 (Monday) to 6 September 2022 (Tuesday) <i>(both days inclusive)</i>
Record date	6 September 2022 (Tuesday)
Final Dividend payment date	16 September 2022 (Friday)

In order to qualify for the right to attend and vote at the AGM and for the entitlement to the proposed Final Dividend, all transfers accompanied by the relevant share certificates must be lodged with the Company's Share Registrar, Tricor Secretaries Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration before the above respective latest time.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

	<i>Notes</i>	2022 HK\$'000	2021 HK\$'000
REVENUE	4	225,457	234,504
Cost of sales		<u>(82,820)</u>	<u>(81,613)</u>
Gross profit		142,637	152,891
Other income and gains	4	2,765	9,654
Selling and distribution expenses		(115,279)	(117,312)
General and administrative expenses		(22,770)	(24,204)
Finance costs		<u>(1,535)</u>	<u>(1,377)</u>
PROFIT BEFORE TAX	5	5,818	19,652
Income tax expense	6	<u>(1,676)</u>	<u>(2,826)</u>
PROFIT FOR THE YEAR AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>4,142</u>	<u>16,826</u>
Attributable to:			
Owners of the parent		<u>4,142</u>	<u>16,826</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	8		
Basic and diluted (expressed in HK cents per share)		<u>0.52</u>	<u>2.10</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 March 2022

		2022	2021
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		9,746	6,269
Right-of-use assets		71,227	35,776
Prepayments, deposits and other receivables		10,454	3,598
Deferred tax assets		5,311	5,897
		<u>96,738</u>	<u>51,540</u>
Total non-current assets		<u>96,738</u>	<u>51,540</u>
CURRENT ASSETS			
Inventories		57,833	47,654
Trade receivables	9	3,525	3,261
Prepayments, deposits and other receivables		14,876	18,117
Tax recoverable		710	–
Cash and cash equivalents		76,804	93,688
		<u>153,748</u>	<u>162,720</u>
Total current assets		<u>153,748</u>	<u>162,720</u>
CURRENT LIABILITIES			
Trade and bills payables	10	10,402	8,815
Other payables and accruals		38,108	38,200
Lease liabilities		40,334	25,289
Tax payable		–	5,082
Provisions		5,144	5,825
		<u>93,988</u>	<u>83,211</u>
Total current liabilities		<u>93,988</u>	<u>83,211</u>
NET CURRENT ASSETS		<u>59,760</u>	<u>79,509</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>156,498</u>	<u>131,049</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

31 March 2022

	2022	2021
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT LIABILITIES		
Lease liabilities	36,070	11,684
Provisions	5,694	3,733
	<hr/>	<hr/>
Total non-current liabilities	41,764	15,417
	<hr/>	<hr/>
Net assets	114,734	115,632
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	110,337	110,337
Retained profits	4,397	5,295
	<hr/>	<hr/>
Total equity	114,734	115,632
	<hr/> <hr/>	<hr/> <hr/>

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 (“HK\$’000”) except when otherwise indicated.

The financial information relating to the years ended 31 March 2022 and 2021 included in this preliminary announcement of annual results 2022 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 2021 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 2022 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 revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i>

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

The nature and the impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy. The amendments did not have any impact on the financial position and performance of the Group.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any impact on the financial position and 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 resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

Geographical information

(a) *Revenue from external customers*

Substantially all of the Group's revenues from external customers during the years ended 31 March 2022 and 2021 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 2022 and 2021 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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Revenue from contracts with customers		
Retail of furniture	212,166	216,979
Wholesale of furniture	8,081	8,129
Special projects – project sales	5,210	9,396
	<u>225,457</u>	<u>234,504</u>

4. REVENUE, OTHER INCOME AND GAINS (continued)

Revenue from contracts with customers

(i) Disaggregated revenue information

	2022	2021
	HK\$'000	HK\$'000
Types of goods		
Sale of furniture	<u>225,457</u>	<u>234,504</u>
Timing of revenue recognition		
At a point in time	<u>225,457</u>	<u>234,504</u>

(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 the respective agreements.

An analysis of other income and gains is as follows:

	2022	2021
	HK\$'000	HK\$'000
Other income and gains		
Other service income	1,465	1,347
Government subsidies*	177	7,797
Bank interest income	275	272
Others	848	238
	<u>2,765</u>	<u>9,654</u>

* The government subsidies for the current year mainly represent subsidies received under the Phasing Out Euro IV Diesel Commercial Vehicles – Ex-gratia Payment Scheme of the Government of Hong Kong Special Administrative Region. The government subsidies for the prior year mainly represented subsidies received under the Employment Support Scheme and Retail Sector Subsidy Scheme of the Government of Hong Kong Special Administrative Region. There were no unfulfilled conditions or contingencies relating to the subsidies.

5. PROFIT BEFORE TAX

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

	2022	2021
	HK\$'000	HK\$'000
Cost of inventories sold	81,264	84,340
Write-down/(reversal of write-down) of inventories to net realisable value	1,556	(2,727)
Total amount recognised as cost of sales	82,820	81,613
Depreciation of property, plant and equipment	7,037	15,587
Depreciation of right-of-use assets	39,733	40,754
Loss on disposal/write-off of items of property, plant and equipment*	–	171
Lease payments not included in the measurement of lease liabilities	5,909	5,550
Impairment/(reversal of impairment) of trade receivables, net	166	(38)

* 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% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong during the year.

	2022	2021
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the year	1,324	3,889
Overprovision in prior years	(234)	–
Deferred	586	(1,063)
Total tax charge for the year	1,676	2,826

7. DIVIDEND

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Proposed final – HK0.50 cent (2021: HK0.63 cent) per ordinary share	4,000	5,040

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent of HK\$4,142,000 (2021: HK\$16,826,000) and the weighted average number of ordinary shares of 800,000,000 (2021: 800,000,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 March 2022 and 2021.

The calculation of basic and diluted earnings per share is based on:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>Earnings</u>		
Profit attributable to ordinary equity holders of the parent used in the basic and diluted earnings per share calculation	4,142	16,826

	Number of shares	
	2022	2021
<u>Shares</u>		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings per share calculation	800,000,000	800,000,000

9. TRADE RECEIVABLES

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Trade receivables	3,805	3,375
Impairment	<u>(280)</u>	<u>(114)</u>
	<u>3,525</u>	<u>3,261</u>

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 and project 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 customers, or based on terms agreed by the relevant parties as set out in the 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 and net of loss allowance, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	2,341	2,799
1 to 3 months	1,072	460
Over 3 months	<u>112</u>	<u>2</u>
	<u>3,525</u>	<u>3,261</u>

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:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 1 month	7,169	7,924
1 to 3 months	2,452	205
Over 3 months	<u>781</u>	<u>686</u>
	<u>10,402</u>	<u>8,815</u>

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

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 this preliminary announcement have been agreed by the Group's auditors, Messrs. Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the Year as approved by the Board of Directors on 28 June 2022. The work performed by Messrs. Ernst & Young in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Ernst & Young on this preliminary announcement.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR

The Audit Committee of the Company, which comprises 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 2022 and annual results for the Year.

CORPORATE GOVERNANCE

Corporate Governance Code

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

Model Code for Securities Transactions

The Company has adopted its own code of conduct regarding securities transactions by Directors ("Ulferts Securities Code") on no less exacting terms than the required standards as set out in Appendix 10 to the Listing Rules regarding Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"). Having made specific enquiry to all Directors, all of them confirmed that they have complied with the required standard of dealings as set out in 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, 28 June 2022

As at the date of this announcement, the Board comprises:

Executive Directors:

Mr. Wong Chi Fai
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