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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)

CONTINUING CONNECTED TRANSACTION

On 15 May 2020, the Company entered into the 2020 Master Agreement with AY Holdings (as agent acting on behalf of Emperor Group) in relation to the continuous selling of products and provision of furniture procurement consultancy services for members of Emperor Group.

As the aggregate transaction amount for the financial year ended 31 March 2020 has exceeded the Previous Annual Cap of HK\$9,000,000 by an amount of approximately HK\$754,000, but the total amount remained less than HK\$10,000,000, the Company has re-complied with announcement requirement herein and will comply with the annual review and reporting requirements under the Listing Rules.

The Transactions under the 2020 Master Agreement are subject to the announcement, reporting and annual review requirements but is exempted from the Shareholders' approval requirement under the Listing Rules.

BACKGROUND

Pursuant to the 2018 Master Agreement, the Group has been selling products and providing furniture procurement consultancy services for members of Emperor Group for the term ended 31 March 2020. In anticipation of further growth and for administrative efficiency, the Company entered into the 2020 Master Agreement with AY Holdings (as agent acting on behalf of Emperor Group).

2020 MASTER AGREEMENT

Pursuant to the 2020 Master Agreement, the Group shall sell and provide the following to relevant members of Emperor Group as the relevant parties may agree from time to time in writing : (i) sell products and provide furniture procurement consultancy services in relation to their projects and investments, or for their own consumption; (ii) sell furniture coupons for their own consumption and for third party consumption as a marketing strategy of their projects; and (iii) provide such other types of ancillary services and any transaction of revenue nature in the ordinary course of business of the Group. The Services provided or to be provided by the Group to members of Emperor Group are governed by the 2020 Master Agreement.

Date

15 May 2020

Parties

- (1) the Company; and
- (2) AY Holdings (as agent acting on behalf of Emperor Group)

Term

Subject to the terms and conditions set out in the 2020 Master Agreement, the term takes effect from 1 April 2020 up to and including 31 March 2023 or such other duration (subject to a maximum period of 3 years) as agreed between the parties from time to time.

General terms of the 2020 Master Agreement

Relevant members of the Group and the relevant members of Emperor Group entered, and may, from time to time during the term of the 2020 Master Agreement, enter into separate Definitive Operational Agreements in respect of the provision of the Services Provided that such separate agreements shall always be subject to the 2020 Master Agreement. Each of the Definitive Operational Agreements shall contain the price and other specific terms of purchase or service on an order-by-order basis. As at the date hereof, several Transactions have been concluded and signed, and the parties have restated their intention and principles for all the then transactions under the 2018 Master Agreement and other future transactions as follows:

- (a) the prices and terms of the Definitive Operational Agreements with respect to the Services provided by members of the Group to members of Emperor Group shall be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and at prices and terms no more favourable to Emperor Group, or no less favourable to the Group, than those to be provided to independent third parties; and
- (b) the prices and terms of the Definitive Operational Agreements shall be considered by the relevant members of the Group and the relevant members of Emperor Group to be fair and reasonable in their respective views.

In pricing its Services, the Group will take into consideration factors which are common and reasonable for providers of similar services, such as quantity, delivery timing, the type of products and services or the complexity of the projects, the expiry dates and the restrictions of the coupons for determining the discount on the face value of the coupons and other relevant factors which shall be set out in the purchase order or service agreement, on an order-by-order basis.

Members of Emperor Group shall have an option to obtain from third party suppliers other than the Group for the Services and the Group shall not be bound to accept any order or provide any service to members of Emperor Group other than the pre-agreed outstanding contracts.

HISTORICAL TRANSACTIONS

The average historical transaction amount for the Services during the financial years ended 31 March 2018, 2019 and 2020 amounted to approximately HK\$6,220,000 and the Previous Annual Caps of HK\$9,000,000 for each of the financial years ended 31 March 2018 and 2019 were not exceeded. However, due to the rapid expansion of cinema operation of certain members of Emperor Group, the historical amount of sale of furniture and provision of procurement services to such members increased significantly for the year ended 31 March 2020 and hence the Previous Annual Cap of HK\$9,000,000 for this year end was slightly exceeded by approximately HK\$754,000. In order to provide an accurate amount of the aggregate transactions for the sale of furniture and provision of procurement services to the Emperor Group for the financial year ended 31 March 2020, the management took time to ascertain such amount with auditors.

The Company has further strengthened its reporting system and internal control management (including segregation of duties and staff training) and will continue to review it on an ongoing basis at all times.

NEW ANNUAL CAPS

Set out below are the New Annual Caps for the Transactions under the 2020 Master Agreement for each of the financial years ending 31 March 2021, 2022 and 2023 :-

	For the year ended 31 March		
	2021	2022	2023
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Annual Cap	9,800,000	9,800,000	9,800,000

In determining the New Annual Caps for the Transactions, the following principal factors have been taken into consideration:

- (a) the historical transaction amount of approximately HK\$9,754,000 for the Services during the financial year ended 31 March 2020;
- (b) the Group previously supplied cinema chairs and other types of furniture for cinemas under Emperor Group, and assuming the number and size of cinemas under Emperor Group to be opened in Hong Kong and the PRC in each of the financial years ending 31 March 2021, 2022 and 2023 will be at similar level as the financial year ended 31 March 2020 in which the historical amount of revenue from the Services amounted to approximately HK\$9,317,000; and
- (c) the Group previously supplied furniture and mattresses for property projects and hotel projects of Emperor International Holdings Limited and assuming the number of projects to be completed in each of the financial years ending 31 March 2021, 2022 and 2023 and the amount of products and services required from the Group will be at similar level as that in the financial year ended 31 March 2020, which amounted to approximately HK\$421,000.

REASONS AND BENEFITS OF THE 2020 MASTER AGREEMENT

The Company is an investment holding company and its subsidiaries are principally engaged in retail of home furniture mainly imported from Europe.

In order to facilitate the Group to sell furniture and ancillary items and provide procurement services of the Group to relevant members of the Emperor Group without extra administrative burden, and it is expected that there will be a continuing demand for upcoming projects and expansion of cinema operation under Emperor Group in the future, the Directors consider that the Transactions are consistent with the business and commercial objectives of the Group, and are carried out in the ordinary and usual course of business of Group and were/will be conducted on normal commercial terms determined/to be determined on an arm's length basis. The Directors (including the independent non-executive Directors) are of the view that the Transactions have been entered into in the ordinary and usual course of business of the Group and the terms of the 2020 Master Agreement and the Transactions are on normal commercial terms, and are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LISTING RULES IMPLICATIONS

Relevant members of Emperor Group are indirectly controlled by the respective discretionary trusts which are all set up by Dr. Yeung Sau Shing, Albert who is the deemed substantial shareholder of the Company. Accordingly, the Transactions constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

All the Directors do not have material interests in the Transactions. However, as Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, being the executive Directors, have management role in certain members of Emperor Group, for prudence sake, both of them did abstain from voting on the relevant Board resolution(s).

As the aggregate transaction amount for the financial year ended 31 March 2020 has exceeded the Previous Annual Cap of HK\$9,000,000 by an amount of approximately HK\$754,000, but the total amount remained less than HK\$10,000,000, the Company has re-complied with announcement requirement herein and will comply with the annual review and reporting requirements under the Listing Rules.

As the applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the New Annual Caps are more than 5% but less than 25% and the total consideration is less than HK\$10,000,000, the Transactions are subject to the announcement, reporting and annual review requirements but are exempted from the Shareholders' approval requirement under the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

“2018 Master Agreement” the agreement dated 15 January 2018 entered into between the Company and AY Holdings in relation to the provision of the Services by the Group to the listed members of Emperor Group

“2020 Master Agreement” the agreement dated 15 May 2020 entered into between the Company and AY Holdings in relation to the provision of Services by the Group to the relevant members of Emperor Group

“AY Holdings”	Albert Yeung Holdings Limited, a company incorporated in the British Virgin Islands, being the agent acting on behalf of the relevant members under Emperor Group
“Board” or “Directors”	the directors of the Company
“Company”	Ulferts International Limited, a company incorporated in Hong Kong with limited liability, the issued shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Definitive Operational Agreement(s)”	the individual purchase order(s) or agreement(s) in respect of the provision of any of the Services which may from time to time to be entered into between members of Emperor Group and members of the Group pursuant to the 2020 Master Agreement;
“Emperor Group”	all companies (including their respective associates) directly or indirectly controlled by various discretionary trusts set up by Dr. Albert Yeung from time to time (including but not limited to Emperor International Holdings Limited (Stock Code: 163), Emperor Entertainment Hotel Limited (Stock Code: 296), Emperor Capital Group Limited (Stock Code: 717), Emperor Watch & Jewellery Limited (Stock Code: 887), Emperor Culture Group Limited (Stock Code: 491) and their respective subsidiaries and associates), other than the Group
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Annual Caps”	the annual maximum amount paid or payable by the members of Emperor Group as a whole to the Group under the Definitive Operational Agreements in respect of the Transactions for each of the three financial years ending 31 March 2021, 2022 and 2023
“PRC”	The People’s Republic of China

“Previous Annual Caps”	the previously obtained annual caps of the transactions contemplated under the 2018 Master Agreement for each of the three financial years ended 31 March 2018, 2019 and 2020
“Services”	services including (i) selling products and providing furniture procurement consultancy services to members of Emperor Group in relation to their projects and investments, or for their own consumption; (ii) selling furniture coupons to members of Emperor Group for their own consumption and for third party consumption as a marketing strategy of their projects; and (iii) providing such other types of ancillary services and any transaction of revenue nature in the ordinary course of business of the Group as the relevant parties may agree upon from time to time in writing
“Shareholder(s)”	the holder(s) of shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transactions”	all existing and future transactions between members of Emperor Group and members of the Group for provision of the Services contemplated under the 2020 Master Agreement and the Definitive Operational Agreements
“%”	per cent

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

Hong Kong, 15 May 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