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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)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

On 3 March 2023, the Company entered into the 2023 Master Agreements in relation to the continuous selling of products and provision of furniture procurement consultancy services for members of Emperor Group.

The Transactions under the 2023 Master Agreements are subject to the announcement, reporting and annual review requirements but exempt from the Shareholders' approval requirement under the Listing Rules.

BACKGROUND

Pursuant to the 2020 Master Agreements, the Group has been selling products and providing furniture procurement consultancy services to members of Emperor Group during the past financial years. In order to facilitate the flexibility of business opportunities and for administrative efficiency, the Company entered into the 2023 Master Agreements with the respective parties for renewal of the annual caps for three financial years ending 31 March 2026.

THE 2023 MASTER AGREEMENTS

Pursuant to the 2023 Master Agreements, the Group shall (i) sell products and provide furniture procurement consultancy services to relevant members of Emperor Group in relation to their property-related projects, hotel operation and cinema operation, or for their own consumption; (ii) sell furniture coupons to relevant members of Emperor Group 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 as the relevant parties may agree from time to time in writing. The Services provided or to be provided by the Group to members of Emperor Group (including Emperor International and Emperor Culture) are governed by the 2023 Master Agreements.

Date

3 March 2023

Parties to the 2023 Master Agreements

- (1) the Company and AY Holdings;
- (2) the Company and Emperor International; and
- (3) the Company and Emperor Culture.

Term

The term shall take effect (i) from 1 April 2023 up to and including 31 March 2026 for the 2023 AY Holdings Master Agreement and the 2023 Emperor International Master Agreement; (ii) from 1 July 2023 up to and including 30 June 2026 for the 2023 Emperor Culture Master Agreement; or (iii) such other duration (subject to a maximum period of 3 years) as agreed between the parties from time to time.

General terms of the 2023 Master Agreements

Relevant members of the Group and the relevant members of Emperor Group entered, and may, from time to time during the term of the 2023 Master Agreements, enter into separate Definitive Operational Agreement(s) in respect of the provision of the Services provided that such separate agreements shall always be subject to the 2023 Master Agreements. Each of the Definitive Operational Agreements shall contain the price and other specific terms of Services on an order-by-order basis. As at the date hereof, certain Transactions have been concluded and signed, and the parties wish to restate their intention and principles for all the then Transactions under the 2023 Master Agreements and other future Transactions as follows:-

- (a) the prices and terms of the Definitive Operational Agreement(s) with respect to the Services provided or to be 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 Agreement(s) shall be considered by both parties to be fair and reasonable in their respective views.

In pricing the Services, the Group will take into consideration factors which are common and reasonable for providers of similar products and services, such as quantity, delivery timing, type of products and services or complexity of the projects, expiry dates and restrictions of the coupons for determining the discount on the face value of the coupons and other relevant factors 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 products and services other than the pre-agreed outstanding contracts.

HISTORICAL TRANSACTION AMOUNTS

The historical transaction amounts received/to be received by the Group from Emperor Group for the Services during the financial years ended/ending 31 March 2021, 2022 and nine months ended 31 December 2022 are approximately HK\$8.8 million, HK\$2.3 million and HK\$5.0 million respectively.

The Previous Annual Caps under the 2020 Master Agreements are of HK\$9.8 million for each of the financial years ended/ending 31 March 2021, 2022 and 2023 respectively. None of the Previous Annual Caps for each of the financial years ended/ending 31 March 2021, 2022 and 2023 was exceeded or is expected to be exceeded.

NEW ANNUAL CAPS

The New Annual Caps for the Transactions are HK\$9.8 million for each of the financial years ending 31 March 2024, 2025 and 2026 respectively.

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

- (a) the historical transaction amounts of approximately HK\$8.8 million for the financial year ended 31 March 2021 and approximately HK\$5.0 million for the Services during the nine months ended 31 December 2022;
- (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 2023, 2024 and 2025 will be at similar level as the financial years ended 31 March 2021 and 2022 and nine months ended 31 December 2022 which the historical amount of revenue from the Services amounted to approximately HK\$1.6 million, HK\$2.2 million and HK\$3.4 million for the financial years ended 31 March 2021 and 2022 and nine months ended 31 December 2022 respectively; and
- (c) the Group previously supplied furniture and mattresses for property-related projects and hotel operation of Emperor International and assuming the number of projects to be completed and the amount of products and services required from the Group in each of the financial years ending 31 March 2023, 2024 and 2025 will be at similar level as that in the financial year ended 31 March 2021, which amounted to approximately HK\$7.2 million.

INTERNAL CONTROL PROCEDURES FOR THE TRANSACTIONS

The Transactions contemplated under the 2023 Master Agreements will be subject to the following internal control procedures in order to ensure that the prices and terms offered are no more favourable than those offered by the Group to independent third parties:

1. The Company will monitor the continuing connected transactions in accordance with the procedures set out in the Company's internal control manual on continuing connected transactions. The relevant departments of the Group will conduct regular review to assess whether the Transactions contemplated under the relevant Definitive Operational Agreement(s) are conducted in line with the terms set out in the 2023 Master Agreements and the management of the Company will ensure the prices offered to the connected persons are fair and reasonable, and no more favourable to the prices offered to independent third parties;

2. The external auditors of the Company will conduct an annual review on the pricing, terms and annual caps of the continuing connected transactions;
3. The audit committee of the Board will review analysis report and the improvement measures prepared by the management of the Company regarding the continuing connected transactions conducted by the Company at least once a year; and
4. The independent non-executive Directors will review the implementation and enforcement of the continuing connected transactions on an annual basis.

REASONS AND BENEFITS OF THE 2023 MASTER AGREEMENTS

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

In order to facilitate the Group to sell furniture and ancillary items and provide procurement services of the Group to relevant members of Emperor Group without extra administrative burden, and it is expected that there will be a continuing demand for upcoming property-related projects, hotel operation and 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 the 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 2023 Master Agreements 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

The Company and relevant members of the Emperor Group are directly or indirectly controlled by the respective private discretionary trusts which are all set up by Dr. Yeung 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.

Mr. Wong Chi Fai and Ms. Fan Man Seung, Vanessa, being the executive Directors, did abstain from voting on the relevant board resolution(s) of the Company in view of their management role in the Company, Emperor International and Emperor Culture.

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 exempt from the Shareholders' approval requirement under the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

“2020 Master Agreements”	(i) the agreement dated 15 May 2020 entered into between the Company and AY Holdings; (ii) the agreement dated 29 June 2020 entered into between the Company and Emperor Culture; and (iii) the agreement dated 29 July 2020 entered into between the Company and Emperor International in relation to the provision of the Services by the Group to the members of Emperor Group
“2023 Master Agreements”	2023 AY Holdings Master Agreement, 2023 Emperor International Master Agreement and 2023 Emperor Culture Master Agreement, collectively
“2023 AY Holdings Master Agreement”	the agreement dated 3 March 2023 entered into between the Company and AY Holdings in relation to the provision of the Services by the Group to the relevant members of Emperor Group
“2023 Emperor International Master Agreement”	the agreement dated 3 March 2023 entered into between the Company and Emperor International in relation to the provision of Services by the Group to the relevant members of Emperor International Group
“2023 Emperor Culture Master Agreement”	the agreement dated 3 March 2023 entered into between the Company and Emperor Culture in relation to the provision of Services by the Group to the relevant members of Emperor Culture 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 (other than the Group, Emperor International Group and Emperor Culture Group)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board” or “Directors”	the board of directors of the Company
“Company”	Ulferts International Limited, a company incorporated in Hong Kong with limited liability, the 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 orders or agreements in respect of the provision of any of the Services which may from time to time be entered into between members of Emperor Group and members of the Group pursuant to the 2023 Master Agreements
“Dr. Yeung”	Dr. Yeung Sau Shing, Albert

“Emperor Culture”	Emperor Culture Group Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 491)
“Emperor Culture Group”	Emperor Culture and its subsidiaries
“Emperor Group”	all companies (including their respective associates) directly or indirectly controlled by various private discretionary trusts set up by Dr. Yeung from time to time, other than the Group
“Emperor International”	Emperor International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the shares of which are listed on the Stock Exchange (Stock Code: 163)
“Emperor International Group”	Emperor International and its subsidiaries
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency in Hong Kong
“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 2023 Master Agreements in respect of the Transactions for each of the financial years ending 31 March 2024, 2025 and 2026
“PRC”	The People’s Republic of China
“Previous Annual Caps”	the previously obtained annual caps of the transactions contemplated under the 2020 Master Agreements for each of the financial years ended/ending 31 March 2021, 2022 and 2023
“Services”	services including (i) selling products and providing furniture procurement consultancy services to members of Emperor Group in relation to their projects 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
“subsidiary(ies)”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“Transactions”	all existing and future transactions between members of Emperor Group and members of the Group for provision of the Services contemplated under the 2023 Master Agreements and the Definitive Operational Agreement(s)
“%”	per cent

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

Hong Kong, 3 March 2023

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

Executive Directors:

Mr. Wong Chi Fai
Mr. Chan Chuen Yin
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