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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 TRANSACTIONS 2020 MASTER LEASING AGREEMENT**

Reference is made to the announcement of the Company dated 27 June 2018 in relation to the 2018 MLA.

With the lapse of the 2018 MLA, the Company entered into 2020 MLA with Emperor International on 3 December 2020 to regulate arrangements for the Tenancy Transactions for a successive term of 3 years from 1 April 2021 and the Board has resolved to propose the Aggregate Tenancy Annual Caps which are subject to the announcement, circular, reporting and annual review requirements and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

### **2020 MLA**

Reference is made to the announcement of the Company dated 27 June 2018 in relation to the 2018 MLA entered into by the Company with Emperor International which set out a framework of the terms governing the Tenancy Transactions between the Group and Emperor International Group up to 31 March 2021.

As the Group shall continue to lease properties (including offices or retail shops) from Emperor International Group, the Company entered into 2020 MLA with Emperor International on 3 December 2020 to regulate arrangements for the Tenancy Transactions for a successive term of 3 years from 1 April 2021. The Board has resolved to set proposed Aggregate Annual Caps for the 3 financial years ending 31 March 2022, 2023 and 2024 for approval by the Independent Shareholders in compliance with Chapter 14A of the Listing Rules.

Relevant terms under the 2020 MLA are set out as follows :-

#### ***Term***

1 April 2021 – 31 March 2024. Subject to compliance with the then relevant requirements of the Listing Rules, or any waiver obtained from strict compliance with such requirements, upon expiration of the initial term or subsequent renewal term, the 2020 MLA shall be automatically renewed for a successive period of 3 years thereafter (or such other period permitted under the Listing Rules), unless terminated earlier in accordance with the 2020 MLA.

#### ***Key terms and conditions***

The 2020 MLA mainly serves to amend certain definitive terms in light of the changes in the Listing Rules and to state the new term of 3 years from 1 April 2021.

Relevant members of the Group and relevant members of Emperor International Group may from time to time enter into Definitive Leasing Agreement(s) in relation to any Tenancy Transaction upon, and subject to, the terms and conditions in compliance with the 2020 MLA, provides that:

- (a) all the Tenancy Transactions have been and shall be conducted in the usual and ordinary course of business of both the Group and Emperor International Group and are in the interest of their respective shareholders as a whole;
- (b) the terms of each Definitive Leasing Agreement have been and shall be on normal commercial terms or on terms which are no less favourable to the Group than terms offered by Independent Third Parties;
- (c) the terms of the Tenancy Transactions have been and shall be arrived at after arm's length negotiation and the amount of rental thereunder the respective Definitive Leasing Agreements shall be determined based on the condition of the properties and with reference to the then prevailing market rents on premises comparable in location, area and permitted use;
- (d) all the Tenancy Transactions have been and shall be concluded in compliance with all applicable provisions of the Listing Rules, the applicable laws, 2020 MLA and relevant Definitive Leasing Agreements; and
- (e) the Group has / shall have the option to consider third party landlords and premises other than the properties of Emperor International Group.

#### **HISTORICAL TRANSACTIONS AMOUNTS**

Set out below are the historical amounts of rental/ licence fee paid under the Tenancy Transactions between the Group and Emperor International Group:

	<b>For the year ended 31 March</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK'000</i>	<i>HK'000</i>
Historical Tenancy Transaction amount	7,078	8,312	7,198

The Existing Tenancy Annual Caps under the 2018 MLA are HK\$9.8 million for each of the 3 financial years ended 31 March 2019, 2020 and 2021.

#### **AGGREGATE TENANCY ANNUAL CAPS**

According to HKFRS 16 Leases which was adopted by the Group effective from 1 April 2019, the Group is required to recognise a right-of-use asset and a lease liability, which are measured at the present value of the Fixed Lease Payments, discounted using the lessee's incremental borrowing rate in the year of entering into the lease where the relevant member(s) of the Group acts as a lessee. Correspondingly, the Company is required to set annual caps for the maximum amount of the total value of right-of-use assets relating to leases to be or expected to be entered into by the relevant member(s) of the Group as a lessee for each of the respective period(s) in each year under the 2020 MLA.

In addition, according to HKFRS 16, the Variable Lease Payments under Tenancy Transactions will be recognised as expenses incurred by the Group. The Company will set the annual caps for Variable Lease Payments and other short-term lease payments recognised as expenses which are determined with reference to the estimated annual maximum amount of the Variable Lease Payments and other short-term lease payments payable by the Group in respect of Tenancy Transactions for each of the respective period(s) in each year under the 2020 MLA.

Set out below are the proposed Aggregate Tenancy Annual Caps under the 2020 MLA for each of respective periods:

	<b>For the year ending 31 March</b>		
	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<i>HK'000</i>	<i>HK'000</i>	<i>HK'000</i>
Aggregate Right-of-Use Annual Cap	20,000	22,000	32,000
Aggregate Rental Expense Annual Cap	6,000	6,000	6,000

Aggregate Tenancy Annual Caps represent the estimated respective maximum value of (i) the right-of-use assets relating to leases to be or expected to be entered into by the Group in the respective period(s) of the term under the 2020 MLA; and (ii) the Variable Lease Payments and other short-term lease payments payable by the Group in respect of Tenancy Transactions in the respective period(s) of the term under the 2020 MLA.

The Aggregate Right-of-Use Annual Cap (i.e. aggregates all Tenancy Transactions to be or expected to be entered with Emperor International Group and the right-of-use assets to be recognised regardless of their location and usage) and the Aggregate Rental Expense Annual Cap (i.e. aggregates all short term Tenancy Transactions entered / to be or expected to be entered with Emperor International Group and the Variable Lease Payments to be paid by the Group regardless of their location and usage) have been determined after taking into account:

- (i) the historical transaction amounts of rental, management fee (if any) and charges paid by the Group to Emperor International Group under all Tenancy Transactions;
- (ii) the number of existing Tenancy Transactions :

As at the date of this announcement, members of the Group are leasing properties from Emperor International Group in the following areas in Hong Kong:

Location

- (1) Emperor Group Centre, No. 288 Hennessy Road, Wanchai, Hong Kong
- (2) Fitfort, 560 King's Road, North Point, Hong Kong
- (3) Wei King Building, 275 Chatham Road North, Hung Hom, Kowloon, Hong Kong

There are 3 existing tenancy / lease / licence agreements entered into between members of the Group and members of Emperor International Group. The earliest expiry date of the leases is in June 2021 and the latest one is in April 2023. The monthly rental ranges from HK\$26,000 to HK\$576,000 and the gross floor area ranges from 856 to 21,720 sq. ft. The duration of the leases are usually 1 to 3 years.

- (iii) assuming all of the above tenancies will be renewed upon expiry and taking into account the possible oncoming adjustment in rental rates;
- (iv) the business development and expansion of the Group and the possibility of entering into new Tenancy Transactions with Emperor International Group under the 2020 MLA in the forthcoming years;
- (v) the location and usage of the properties of the existing portfolio of Emperor International Group and potential acquisition of properties by Emperor International Group which can be available for leasing to the members of the Group in the future; and
- (vi) the prevailing market rents of the properties as compared with similar properties in the vicinity.

## **REASONS AND BENEFITS**

The Company is an investment holding company and its subsidiaries are principally engaged in retailing of imported furniture in Hong Kong.

The Group currently and shall continue to lease properties from Emperor International Group pursuant to the 2020 MLA governing the Tenancy Transactions between the parties. The obtaining of the Aggregate Tenancy Annual Caps will help reduce the relevant administrative burden and costs on the Company in complying with the requirements under the Listing Rules whenever there is new tenancy or renewal of the Tenancy Transactions between the Group and Emperor International Group. The Definitive Leasing Agreements will be agreed on an arm's length basis, on normal commercial terms or on terms no less favourable to the Group than those terms offered by Independent Third Parties as landlords.

The Directors (excluding the independent non-executive Directors who will provide their views after considering the opinion of an independent financial adviser) consider that the Aggregate Tenancy Annual Caps under the 2020 MLA are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The 2020 MLA has been conducted in the ordinary and usual course of business of the Group and negotiated on an arm's length basis, on normal commercial terms and in the interests of the Group and the Shareholders as a whole as well.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Company and Emperor International are indirectly controlled by the respective private discretionary trusts which were both set up by Dr. Albert Yeung who is the deemed substantial shareholder of the Company. As such, under Chapter 14A of the Listing Rules, Emperor International is a deemed connected person of the Company and accordingly, the transactions contemplated under the 2020 MLA constitutes continuing connected transactions of the Company.

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 as they also take up a management role in Emperor International.

As the highest applicable percentage ratios (as defined in the Listing Rules) calculated with reference to the Aggregate Tenancy Annual Caps are more than 5% and exceed HK\$10,000,000, the Aggregate Tenancy Annual Caps are subject to the announcement, circular, reporting and annual review requirements and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

## **GENERAL**

The Company will seek approval from the Independent Shareholders at the AGM on the Aggregate Tenancy Annual Caps in respect of the transactions contemplated under the 2020 MLA. The Independent Board Committee has been established to advise the Independent Shareholders as to (i) whether the Aggregate Tenancy Annual Caps are fair and reasonable; (ii) whether the transactions contemplated under the 2020 MLA are on normal commercial terms or better and in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; and (iii) how to vote on the proposed resolutions. An independent financial advisor will be appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular of the Company containing, amongst others, (i) further information on the Aggregate Tenancy Annual Caps and the 2020 MLA; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial

adviser to the Independent Board Committee and the Independent Shareholders; and (iv) the notice of the AGM, the circular is expected to be despatched to the Shareholders on or before 6 July 2021.

## DEFINITIONS

The following terms have the following meanings in this announcement, unless the context otherwise requires:

“2018 MLA”	the master leasing agreement dated 24 May 2018 entered into between the Company and Emperor International
“2020 MLA”	the master leasing agreement dated 3 December 2020 entered into between the Company and Emperor International
“Aggregate Right-of-Use Annual Cap”	for the purpose of Chapter 14A of the Listing Rules and pursuant to HKFRS 16, the annual caps for Fixed Lease Payments which are determined with reference to the annual maximum amount of the total value of right-of-use asset in respect of Tenancy Transactions to be or expected to be entered into for each of the respective periods during the term under the 2020 MLA
“Aggregate Rental Expense Annual Cap”	for the purpose of Chapter 14A of the Listing Rules and pursuant to HKFRS 16, the annual caps for Variable Lease Payments and other short-term lease payments recognised as expenses incurred by the Group which are determined with reference to the annual maximum amount of Variable Lease Payments and other short term lease payments to be or expected to be payable by the Group in respect of Tenancy Transactions for each of the respective period(s) during the term under the 2020 MLA
“Aggregate Tenancy Annual Caps”	Aggregate Right-of-Use Annual Cap and Aggregate Rental Expense Annual Cap
“AGM”	an annual general meeting (or any adjournment thereof) of the Company to be held to consider and, if thought fit, among other things, approve the Aggregate Tenancy Annual Caps
“Board” or “Directors”	the board of directors of the Company
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Company”	Ulferts International Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Stock Exchange
“Definitive Leasing Agreement(s)”	definitive agreement(s) which has / have been entered and may be entered into between any member(s) of the Group and any members of Emperor International Group from time to time in relation to any of the Tenancy Transactions (setting out the terms of the tenancy, including the parties, detailed description of the properties, usage, duration, rental and specific terms such as rent free period, early termination, deposits, fees and charges) subsisting at any time during the respective terms of the 2018 MLA and 2020 MLA

“Dr. Albert Yeung”	Dr. Yeung Sau Shing, Albert
“Emperor International”	Emperor International Holdings Limited, an exempted company incorporated in Bermuda with limited liability, the subsidiaries of which are principally engaged in property investments and property development in the Greater China and overseas and whose issued shares are listed on the Main Board of the Stock Exchange (Stock Code: 163)
“Emperor International Group”	Emperor International and its subsidiaries from time to time
“Existing Tenancy Annual Caps”	the previously obtained annual caps of the transactions contemplated under the 2018 MLA for each of the three financial years ended 31 March 2019, 2020 and 2021
“Fixed Lease Payments”	fixed amount of periodic rental / licence fees paid or payable to Emperor International Group by the Group under the Definitive Leasing Agreement
“Independent Board Committee”	an independent committee of the board of the Directors, comprising all of the independent non-executive Directors, established to advise the Independent Shareholders in respect of the Aggregate Tenancy Annual Caps and the transactions contemplated under the 2020 MLA
“Independent Shareholders”	Shareholders who do not have material interests in the transactions contemplated under the 2020 MLA
“Independent Third Party(ies)”	third party independent of and not connected with the Company and its connected persons (as defined in the Listing Rules)
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the 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)
“sq. ft.”	square feet

“Tenancy Transaction(s)”	all existing and future tenancy / licence transaction(s) between members of the Group as tenants and of Emperor International Group as landlords regarding the leasing of properties as contemplated under the 2018 MLA or 2020 MLA (as the case may be) and the Definitive Leasing Agreements
“Variable Lease Payments”	variable amount of payments linked to revenue generated from the leased properties paid or payable to Emperor International Group by the Group under the Definitive Leasing Agreements
“%”	per cent

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

Hong Kong, 8 June 2021

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. Chui Kin Fai  
Mr. Ng Hoi Yue