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ROYALE HOME HOLDINGS LIMITED

皇朝家居控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1198)

DISCLOSEABLE AND CONNECTED TRANSACTION PROPOSED CAPITAL INJECTION IN THE TARGET COMPANY

CAPITAL INJECTION AGREEMENT

On 10 December 2021 (after trading hours), the Investor, an indirect wholly-owned subsidiary of the Company, entered into the Capital Injection Agreement with China Finance Leasing, Science City and the Target Company, pursuant to which, amongst others, the Investor agreed to make the Capital Injection of RMB100 million into the Target Company in cash.

LISTING RULES IMPLICATIONS

As the Capital Injection is proposed to be made by the Group within a 12-month period after the consummation of or is otherwise related to the Investments, (i) in respect of the notifiable transaction requirements under Chapter 14 of the Listing Rules, the Investments and the Capital Injection are aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules; and (ii) in respect of the connected transaction requirements under Chapter 14A of the Listing Rules, the First Round Investment and the Capital Injection are aggregated as a series of transactions pursuant to Rule 14A.81 of the Listing Rules. The Acquisition, as a connected transaction, has been approved by the Shareholders at the extraordinary general meeting of the Company held on 25 September 2020 in compliance with Chapter 14A of the Listing Rules.

As at the date of this announcement, Science City (1) holds 75% of the equity interest in the Target Company; and (2) is through SCHK and parties acting in concert with it, interested in an aggregate of 1,945,391,280 Shares (representing approximately 74.86% of the issued share capital of the Company) and thus is a controlling shareholder of the Company. Therefore, both the Target Company and Science City are connected persons of the Company under Chapter 14A of the Listing Rules.

As (i) one or more of the applicable percentage ratios in respect of the Capital Injection, as a notifiable transaction, on an aggregate basis are more than 5% but all are less than 25%; and (ii) one or more of the applicable percentage ratios in respect of the Capital Injection, as a connected transaction, on an aggregate basis are more than 0.1% but all are less than 5%, the Capital Injection constitutes a discloseable and connected transaction of the Company, and is subject to reporting and announcement requirements, but is exempted from circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

CAPITAL INJECTION AGREEMENT

The Board is pleased to announce that on 10 December 2021 (after trading hours), the Investor, an indirect wholly-owned subsidiary of the Company, entered into the Capital Injection Agreement with China Finance Leasing, Science City and the Target Company, pursuant to which, amongst others, the Investor agreed to make the Capital Injection of RMB100 million into the Target Company in cash.

Summarised below are the principal terms of the Capital Injection Agreement:

Date

10 December 2021 (after trading hours)

Parties

1. the Investor;
2. China Finance Leasing Limited (中國金融租賃有限公司);
3. Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司); and
4. the Target Company.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, China Finance Leasing and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons.

The Target Company is a subsidiary of Science City, which in turn is a controlling shareholder of the Company. Therefore, both the Target Company and Science City are connected persons of the Company.

The Capital Injection

Pursuant to the Capital Injection Agreement:

1. Science City has agreed to make a pro-rata capital injection of RMB300 million into the Target Company in cash in proportion to its shareholding percentage in the Target Company;
2. China Finance Leasing has agreed to waive its pre-emptive rights in making capital injection in proportion to its shareholding percentage in the Target Company in connection with the Capital Injection (the “**Waived Capital Injection**”); and
3. the Investor has agreed to make the Capital Injection of RMB100 million into the Target Company in cash, comprising a pro-rata capital injection of RMB90 million in proportion to its shareholding percentage in the Target Company before the Capital Injection and the Waived Capital Injection of RMB10 million.

Immediately prior to the Capital Injection, the Target Company’s equity interest is held as to 75% by Science City, 22.5% by the Investor and 2.5% by China Finance Leasing, respectively. Upon completion of the Capital Injection, the Target Company’s equity interest will be held as to 75% by Science City, 23.5% by the Investor and 1.5% by China Finance Leasing, and the total registered capital of the Target Company will be increased from RMB600 million to RMB1,000 million.

The Investor will acquire an additional 1.0% of the equity interest in the Target Company and the equity interest held by China Finance Leasing will be diluted by 1.0% upon completion of the Capital Injection.

The Investor and Science City have provisionally agreed that the Capital Injection amount should be fully settled within the year 2021. The Investor and Science City shall enjoy the distribution of profits for the year in proportion to their shareholding percentages from the month in which the paid-in obligations in respect of the Capital Injection have been fulfilled.

The amount of Capital Injection to be made by the Investor will be satisfied by the internal resources and/or bank and other borrowings of the Group.

The amount of Capital Injection has been arrived after arm's length negotiations amongst the parties to the Capital Injection Agreement with reference to the operation and fund requirements of the Target Company based on the registered capital of the Target Company and the percentage of equity interest in the Target Company held by the Group.

The capital injections to be made to the Target Company and the transactions contemplated thereunder have been approved by the respective internal empowered authorities of each of Science City, the Investor and China Finance Leasing, and the signatories of the relevant documents are their respective legal representative(s) or authorised representative(s). The Capital Injection has been approved by the shareholders of the Target Company at a shareholders' meeting.

The parties to the Capital Injection Agreement agreed (i) that the articles of association of the Target Company shall be amended to reflect the terms of the Capital Injection Agreement; and (ii) to assist the Target Company in making all filings and registrations of corporate changes at the relevant market supervisory authorities in the PRC within 30 days from the date of the Capital Injection Agreement.

INFORMATION ON THE TARGET COMPANY

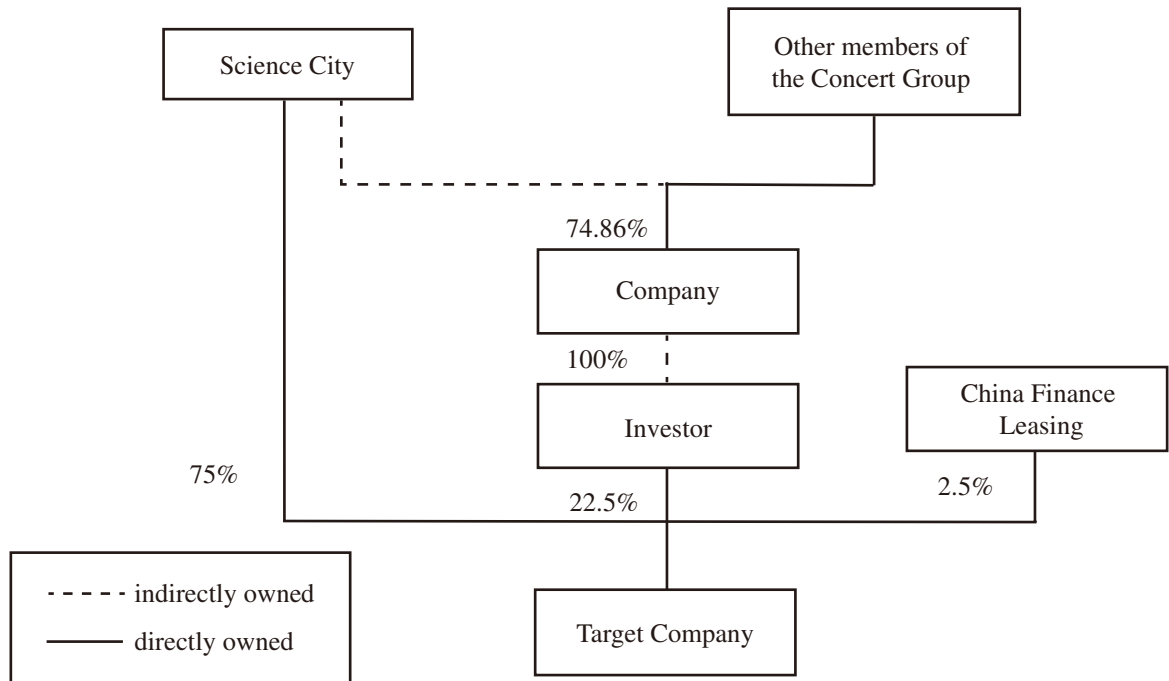
The Target Company is a company established in the PRC with limited liability. The principal business activity of the Target Company is finance leasing. As at the date of this announcement, the Target Company is a subsidiary of Science City. It is expected to remain as a subsidiary of Science City upon completion of the Capital Injection.

The registered capital of the Target Company is RMB600 million as at the date of this announcement. Immediately after the completion of the capital injections made by the parties to the Capital Injection Agreement, the registered capital of the Target Company will be increased to RMB1,000 million.

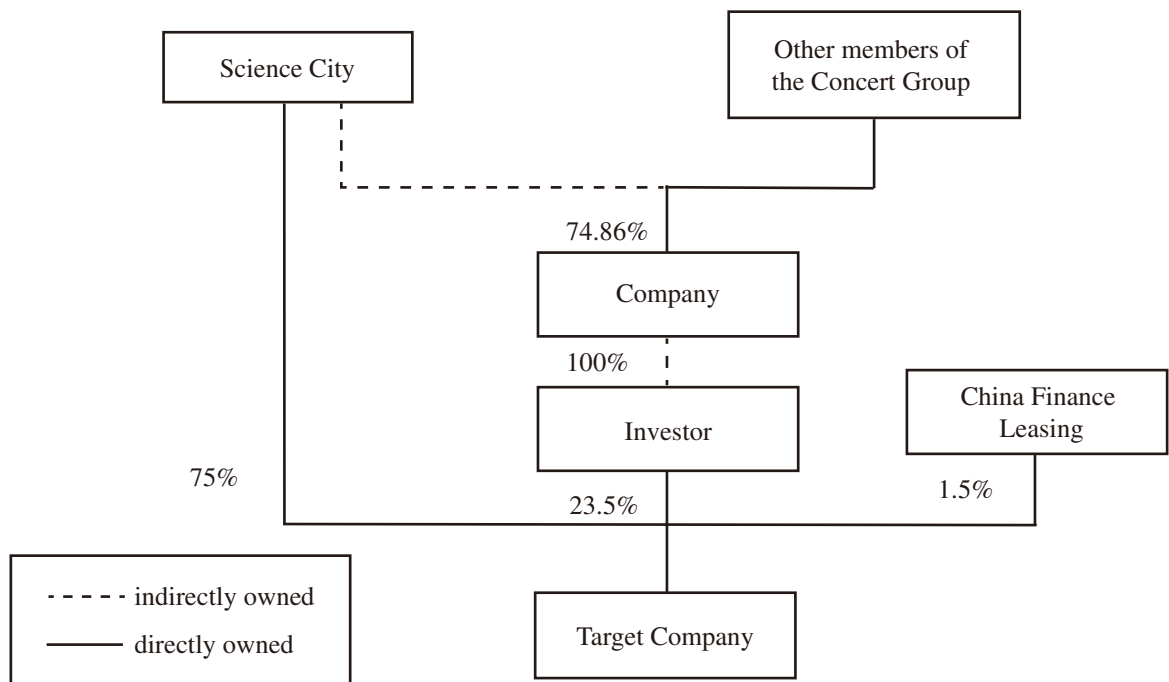
SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

The following diagrams set out the simplified shareholding structures of the Target Company before and upon the completion of the Capital Injection:

As at the date of this announcement



Immediately after completion of the Capital Injection



Financial information of the Target Company

Set out below is a summary of the audited financial information of the Target Company for the two financial years ended 31 December 2019 and 31 December 2020 respectively prepared under PRC GAAP:

	For the year ended	
	31 December	
	2020	2019
	(RMB)	(RMB)
Net profit before taxation	61,516,000	46,694,000
Net profit after taxation	45,998,000	34,854,000

The audited net asset value of the Target Company for each of the two years ended 31 December 2019 and 31 December 2020 was approximately RMB236,938,000 and RMB351,698,000, respectively.

REASONS FOR AND BENEFITS OF THE CAPITAL INJECTION

Reference is made to the announcements of the Company dated 28 July 2020 and 23 December 2020 and the circular of the Company dated 4 September 2020 in relation to the acquisition of 20% equity interest in the Target Company by the Investor (the “**Acquisition**”) and the subsequent capital injection of RMB75 million into the Target Company (the “**First Round Investment**”) (collectively, the “**Investments**”).

It was disclosed in the circular of the Company dated 4 September 2020 that the Board considered that the Acquisition would enable the Group to diversify the scope of its operations as it will gain access to the finance leasing industry. The Investments represented good investment opportunities and were in line with the Group’s vision to invest in target companies or businesses having promising outlooks and prospects. The Capital Injection would enable the Group to maintain its shareholding percentage in the Target Company with a slight increase in equity interest held through undertaking the Waived Capital Injection. Taking into account the state-owned background of the Target Company and the relationship between the Company and Science City, the Capital Injection would benefit the Group by continuing to offer a stable income stream to the Group. The extra capital injected into the Target Company would also provide funds for the development and growth of the business of the Target Company, which would ultimately benefit the Group by creating more value for shareholders. The Capital Injection represents a further endeavour of the Group to tap into the finance leasing market in furtherance of its investment in the Target Company following the Investments.

Having taken into account: (1) the historical financial results of the Target Company for the years ended 31 December 2019 and 2020, in particular the growth in net profit of the Target Company of 2020 as compared to that of 2019; (2) the nature of the business operations of the Target Company, including its business model, background and customers; and (3) the prospects of the finance leasing industry in the PRC, with reference to relevant PRC policies, such as the Relevant Guiding Opinion of the Office of the State Department on the Acceleration of Development of the Finance Leasing Industry* (國務院辦公廳關於加快融資租賃業發展的指導意見), aiming at boosting the development of the financial leasing industry in the PRC, the Directors (including the independent non-executive Directors) are of the view that the terms of the Capital Injection Agreement are on normal commercial terms and were determined on an arm's length basis, and the Capital Injection is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As (1) Mr. Yang Jun, Mr. Wu Zhongming, Mr. Wu Dingliang, Ms. Qin You and Mr. Chen Yisheng hold positions within the Science City Group; and (2) Mr. Tse is a person acting in concert with SCHK (a direct wholly-owned subsidiary of Science City) pursuant to the Concert Group Agreement, each of the abovementioned Directors are deemed to have material interest in and have therefore abstained from voting on the resolutions of the Board approving the Capital Injection Agreement and the transactions contemplated thereunder.

INFORMATION ON THE PARTIES

Information on Science City

Science City is a company established in the PRC with limited liability on 21 August 1984 and is a direct wholly-owned subsidiary of Guangzhou Economic Technology Development Zone Management Committee* (廣州經濟技術開發區管理委員會). The ultimate beneficial owner of Science City is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). Science City is principally engaged in construction, real estate development, and property management businesses in the PRC and is a controlling shareholder of the Company.

Information on China Finance Leasing

China Finance Leasing is a company incorporated in Hong Kong with limited liability. It is principally engaged in investment holding. The ultimate beneficial owner of the China Finance Leasing is Yang Lixuan.

Information on the Investor

The Investor is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

Information on the Company and the Group

The Company is incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the design, sale and manufacture of furniture and trading of commodities.

LISTING RULES IMPLICATIONS

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As at the date of this announcement, Science City (1) holds 75% of the equity interest in the Target Company; and (2) is through SCHK and parties acting in concert with it, interested in an aggregate of 1,945,391,280 Shares (representing approximately 74.86% of the issued share capital of the Company) and thus is a controlling shareholder of the Company. Therefore, both the Target Company and Science City are connected persons of the Company under Chapter 14A of the Listing Rules.

As (i) one or more of the applicable percentage ratios in respect of the Capital Injection, as a notifiable transaction, on an aggregate basis are more than 5% but all are less than 25%; and (ii) one or more of the applicable percentage ratios in respect of the Capital Injection, as a connected transaction, on an aggregate basis are more than 0.1% but all are less than 5%, the Capital Injection constitutes a discloseable and connected transaction of the Company, and is subject to reporting and announcement requirements, but is exempted from circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the respective meanings set opposite thereto:

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Capital Injection”	the injection of capital in the amount of RMB100 million into the Target Company by the Investor in accordance with the term and conditions of the Capital Injection Agreement
“Capital Injection Agreement”	the capital injection agreement dated 10 December 2021 and entered into among the Investor, China Finance Leasing, Science City and the Target Company in relation to, amongst others, the Capital Injection
“Charming Future”	Charming Future Holdings Limited, a beneficial owner of 209,768,922 Shares, representing approximately 8.07% of the issued share capital of the Company as at the date of this announcement and is wholly-owned by Mr. Tse. It is deemed to be interested in 1,945,391,280 Shares, representing approximately 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“China Finance Leasing”	China Finance Leasing Limited (中國金融租賃有限公司), a company incorporated in Hong Kong with limited liability
“Company”	Royale Home Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Concert Group”	SCHK, Mr. Tse, Leading Star, Crisana and Charming Future
“Concert Group Agreement”	the concert group agreement dated 24 May 2019 entered into amongst SCHK, Mr. Tse, Leading Star, Crisana and Charming Future
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Crisana”	Crisana International Inc., a beneficial owner of 165,840,120 Shares, representing approximately 6.38% of the issued share capital of the Company as at the date of this announcement, and is wholly-owned by Mr. Tse. It is deemed to be interested in 1,945,391,280 Shares, representing approximately 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Investor”	Royal Finance Lease Limited (皇朝融資租賃有限公司) (formerly known as Comfort Sofa Limited (舒適梳化有限公司)), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Leading Star”	Leading Star Global Limited, a company wholly-owned by Mr. Tse as at the date of this announcement and the direct beneficial owner of 51,971,227 Shares, representing approximately 2.00% of the issued share capital of the Company as at the date of this announcement. It is deemed to be interested in 1,945,391,280 Shares, representing approximately 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Tse”	Mr. Tse Kam Pang, being the chairman of the Company and an executive Director, and the direct beneficial owner of 282,948,047 Shares, representing approximately 10.89% of the issued share capital of the Company as at the date of this announcement. He is also deemed to be interested in the 1,945,391,280 Shares, representing approximately 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“SCHK”	Science City (Hong Kong) Investment Co. Limited, a direct wholly-owned subsidiary of Science City and the direct beneficial owner of 1,234,862,964 Shares, representing approximately 47.52% of the issued share capital of the Company as at the date of this announcement. It is deemed to be interested in 1,945,391,280 Shares, representing approximately 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement

“Science City”	Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司), a company established in the PRC with limited liability on 21 August 1984 and a controlling shareholder of the Company. The ultimate beneficial owner of Science City is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Science City Group”	Science City together with its subsidiaries but excluding the Group
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers
“Target Company”	Science City (Guangzhou) Finance and Leasing Co., Limited* (科學城(廣州)融資租賃有限公司) a company established in the PRC with limited liability
“%”	per cent

By order of the Board
Royale Home Holdings Limited
Tse Kam Pang
Chairman and Executive Director

Hong Kong, 10 December 2021

As at the date of this announcement, the Board comprises two executive directors, namely, Mr. Tse Kam Pang (Chairman) and Mr. Yang Jun; four non-executive directors, namely, Mr. Wu Zhongming, Mr. Wu Dingliang, Ms. Qin You and Mr. Chen Yisheng; and three independent non-executive directors, namely, Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin.

* For identification purposes only