

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

MEMORANDUM OF UNDERSTANDING IN RELATION TO THE POSSIBLE ACQUISITION OF 51% EQUITY INTEREST IN THE TARGET COMPANY

This announcement is made by Royale Home Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09(2) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The board (the “**Board**”) of directors (the “**Directors**”) of the Company would like to inform the shareholders of the Company and potential investors that on 10 December 2021, Hong Kong Royal Furniture Holding Limited (“**Hong Kong Royal Furniture**”), an indirect wholly-owned subsidiary of the Company, has entered into a memorandum of understanding (the “**MOU**”) with Zhuhai Huayan Timber Co., Ltd.* (珠海市華衍木業有限公司) (the “**Target Company**”) and its Existing Shareholders, in relation to the acquisition of an aggregate of 51% equity interest in the Target Company by way of acquisition(s) of part of the equity interest in the Target Company held by the Existing Shareholders and capital injection into the Target Company.

MEMORANDUM OF UNDERSTANDING

Date

10 December 2021

Parties

- (a) The Investor: Hong Kong Royal Furniture Holding Limited;
- (b) The Existing Shareholders:
 - (a) Zhuang Wenhong (莊文紅);
 - (b) Chen Zhan (陳湛);
 - (c) Li Zhengyong (黎禎勇);
 - (d) Liu Wenhua (劉文華);
 - (e) Wang Qijun (王啟軍);
 - (f) Peng Chengwen (彭程文);
 - (g) Zhuhai Yingshen Traidng Co., Ltd.* (珠海市盈琛貿易有限公司); and
- (collectively, the “**Existing Shareholders**”)
- (c) The Target Company: Zhuhai Huayan Timber Co., Ltd.* (珠海市華衍木業有限公司).

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, the Target Company, each of the Existing Shareholders, and their respective ultimate beneficial owner(s) are independent of and not connected with the Company or its connected persons.

Possible Acquisition

Pursuant to the MOU, Hong Kong Royal Furniture shall acquire in aggregate 51% equity interest in the Target Company by way of (i) acquisition(s) of part of the equity interest in the Target Company held by the Existing Shareholders; and (ii) a capital injection into the Target Company, at the total consideration of RMB30.0 million (the “**Possible Acquisition**”). The details and specific terms of the Possible Acquisition are subject to further finalization and determination by the parties to the MOU.

Conditions

The pre-conditions to be fulfilled by 31 March 2022 or before the entering into of a legally binding document in respect of the Possible Acquisition (the “**Pre-Conditions**”) are set out as follows:

- (a) the Existing Shareholders shall assist the Target Company to dispose of all its bills receivable, and such disposal shall not cause any claims or enforcement actions to be made against the Target Company by creditors;
- (b) the release of the Target Company’s liability owed to a creditor and relevant arrangements in relation thereto;
- (c) the inventory of the Target Company shall be disposed of, failing which the Existing Shareholders shall purchase such inventory at a price representing cost plus appropriate premium or shall otherwise be deemed to have forfeited such inventory;
- (d) the accounts payable of the Target Company payable to the Existing Shareholders and the accounts payable of the Target Company arising from accounting adjustments shall be disposed of, and such disposal shall not cause any claims to be made against the Target Company by creditors; and
- (e) upon the issue of the audit report of the Target Company for the year 2021, the Target Company shall maintain communication with Hong Kong Royal Furniture and the audit firm engaged by it, so as to ensure that the audit report for the year 2021 is to be prepared in a consistent manner with the audit reports for the year 2020 and the first quarter of 2022.

The parties shall further negotiate in the event of the Target Company’s failure to fulfil the Pre-Conditions set out above.

The Possible Acquisition is subject to internal and external regulatory approvals.

Formal Legal Document

The MOU records the preliminary commercial intent of the parties in respect of the Possible Acquisition and the details of the Possible Acquisition are subject to a formal legal document (the “**Formal Legal Document**”) to be negotiated and entered into by the parties.

Term of MOU

The term of the MOU shall be six months from the date of the MOU (the “**Term**”). The MOU shall lapse if the parties are unable to enter into the Formal Legal Document during the Term.

Breach of MOU

Any party who breaches the MOU shall pay a liquidated damage of RMB1.0 million to the complying party.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MOU

As disclosed in the interim report of the Company published on 29 September 2021, the Group will continue to deepen its commitments in the market of home products. It has been the aim of the Group to diversify its operations and further expand its business scale. The Board considers the cooperation under the MOU represents an opportunity for the Group to diversify its home and interior decoration products business. As the Target Company is principally engaged in the wooden doors business, the Company believes that the Possible Acquisition would complement the furniture business of the Group and represent a horizontal integration and diversification and expansion of the Group. It is also in line with the business strategy of the Group to develop an integrated platform for home products providing one-stop services to customers.

The Directors consider that the terms of the MOU are fair and reasonable and the Possible Acquisition is in the interest of the Company and its shareholders as a whole.

As at the date of this announcement, no definitive agreement has been entered into in respect of the Possible Acquisition. The Possible Acquisition is subject to the fulfillment of the Pre-Conditions and the Formal Legal Document and relevant conditions precedent thereunder. As such, the Possible Acquisition may or may not proceed. If the Possible Acquisition materializes, it may constitute a notifiable transaction for the Company under Chapter 14 of the Listing Rules.

The Company will keep shareholders and potential investors of the Company informed and make further announcement(s) as and when appropriate in compliance with the applicable requirements under the Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company.

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*