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## **ROYALE FURNITURE HOLDINGS LIMITED**

**皇朝傢俬控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1198)**

### **MAJOR AND CONTINUING CONNECTED TRANSACTIONS PRODUCT SALES AGREEMENT**

#### **PRODUCT SALES AGREEMENT**

The Board is pleased to announced that on 26 June 2020, the Company has entered into the Product Sales Agreement with Science City, pursuant to which the Group will sell furniture products (together with installation and other ancillary services) to members of the Science City Group for their internal consumption and resale, subject to the entering into of individual contracts as agreed between the Group and the Science City Group.

#### **LISTING RULES IMPLICATIONS**

As Science City is a controlling shareholder of the Company, it is a connected person of the Company. Accordingly, the transactions contemplated under the Product Sales Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 19 June 2020 in relation to the connected transactions of the Company involving the sale of furniture products (together with installation and other ancillary services) by the Group to Science City and its subsidiaries at the total consideration of RMB5,498,099.35. The Furniture Sales constitute connected transactions of the Company under Chapter 14A of the Listing Rules and the Company considers it appropriate to aggregate the Furniture Sales with the Product Sales under Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Caps for the transactions under the Product Sales Agreement and the Furniture Sales (as aggregated under Rule 14A.81 of the Listing Rules) exceed 25% but are less than 75%, the Product Sales (including the Caps), either on a standalone or aggregated basis, constitute major and continuing connected transactions and are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14 and Chapter 14A of the Listing Rules.

## **EGM**

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Product Sales (including the Caps).

SCHK, Mr. Tse, Crisana, Charming Future, Leading Star and their respective associates and those who are interested in the Product Sales will be required to abstain from voting on the resolutions in relation to the Product Sales (including the Caps) at the EGM. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Product Sales and is therefore required to abstain from voting at the EGM for the relevant resolutions.

A circular containing, among other things, (1) particulars of the transactions contemplated under the Product Sales Agreement; (2) a notice of the EGM; (3) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (4) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (5) other information concerning the Company as required under the Listing Rules is expected to be despatched to the Shareholders on or around 28 August 2020, as more time is needed for the preparation of certain information (including but not limited to financial information) to be included in the circular.

## **PRODUCT SALES AGREEMENT**

### **Date**

26 June 2020

### **Parties**

- (i) the Company; and
- (ii) Science City.

### **Principal terms**

Pursuant to the Product Sales Agreement, the Group will sell furniture products (together with installation and other ancillary services) to members of the Science City Group for their internal consumption and resale, subject to the entering into of individual contracts as agreed between the Group and the Science City Group. Members of the Group can also sell furniture products (together with installation and other ancillary services) to third parties not being a member of the Science City Group and not a connected person of the Group as they think fit. Under the Product Sales Agreement, the Science City Group shall purchase furniture products (together with installation and other ancillary services) on a non-exclusive basis, and such purchase(s) shall be subject to the internal approval procedures and procurement policies and conditions of the Science City Group. The consideration payable under the Product Sales

Agreement will be settled by cash or way of bank transfer. The time for payment will be negotiated upon the parties entering into individual contracts pursuant to the Product Sales Agreement.

### **Term**

The Product Sales Agreement shall, subject to approval by the Independent Shareholders at the EGM, become effective for a term commencing from the date of approval at the EGM and ending on 31 December 2022, and is renewable by the Company upon expiry, subject to compliance with the applicable requirements (or waiver) under the Listing Rules. Science City does not enjoy a right of renewal under the Product Sales Agreement.

### **Pricing principles**

The furniture products (together with installation and other ancillary services) sold by the Group to members of the Science City Group pursuant to the Product Sales Agreement shall be on terms no less favourable to the Group than those prevailing in the PRC market for products (together with installation and other ancillary services) of similar type and quality and those offered by the Group to independent third parties. In determining the prevailing market price, the Group will collect relevant market information and/or price quotations offered by the Group to independent third parties for products (together with installation and other ancillary services) of similar type and quality, and review and compare such data with the price(s) of the Product Sales. In any event, the terms on which the furniture products (together with installation and other ancillary services) sold by the Group to members of the Science City Group shall be no less favourable to the Group than those on which comparable products are sold by the Group to independent third parties or those prevailing in the market.

### **Proposed Caps**

For the period ending 31 December 2020 and years ending 31 December 2021 and 2022, the aggregate amount of Product Sales (together with installation and other ancillary services) between the Group and members of the Science City Group pursuant to the Product Sales Agreement shall not exceed the proposed Caps set out below:

	<b>Proposed Caps</b>		
	<b>for the period/year ending 31 December</b>		
	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Maximum transaction amount under the Product Sales Agreement	150,000	250,000	350,000

The proposed Caps are determined with reference to the internal projection for the demand by members of the Science City Group for internal consumption and resale of the furniture products manufactured or procured by members of the Group and the Group's estimated production capacity.

## **INFORMATION OF THE FURNITURE PRODUCTS**

A wide variety of furniture products are to be sold under the separate agreements entered into between members of the Group and members of the Science City Group pursuant to the Product Sales Agreements, such as desks, cabinets, sofa, chairs, conference table etc.. The Product Sales are in the ordinary course of business of the Group and the proceeds from the Product Sales would constitute operating revenue of the Group.

## **REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE PRODUCT SALES AGREEMENT**

The Group is principally engaged in the manufacturing and sales of furniture.

The Product Sales is consistent with the principal business of the Group and would allow the Group to leverage its production capacity in terms of furniture products, boost the turnover and broaden its sales channel in the PRC. The Product Sales (together with installation and other ancillary services) would also enhance the sources of income for the Group and thereby benefiting the operations of the Group.

The Directors (excluding the independent non-executive Directors who reserve their views pending the receipt of advice from the Independent Financial Adviser and the Directors who have abstained from voting on the Board resolutions approving the Product Sales due to their interests in the Product Sales) are of the view that the Product Sales Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group, on normal commercial terms (which were arrived at after arm's length negotiations) and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. Yang Jun, Mr. Wu Zhongming, Mr. Wu Dingliang, Ms. Qin You and Mr. Liu Zhijun have positions with the Science City Group and Mr. Tse is a person acting in concert with SCHK, a direct wholly-owned subsidiary of Science City, they are considered to have material interest in and have therefore abstained from voting on the resolutions of the Board approving the Product Sales Agreement and the transactions contemplated thereunder.

## **INTERNAL CONTROL MEASURES**

In accordance with the Listing Rules, the Company will comply at all times with the applicable provisions under Rules 14A.34 to 14A.59 of the Listing Rules in respect of the Product Sales. In addition, in order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted the following guidelines and principles for monitoring the Product Sales between the Group and the Science City Group, namely:

- the Company will report the transactions under the Product Sales Agreement to the independent non-executive Directors during each of the audit committee meetings (if necessary) according to the audit committee meeting agenda;

- the transactions contemplated under the Product Sales Agreement will be reviewed by the auditors and the independent non-executive Directors of the Company every year and reported in the annual reports of the Company, which provides a check and balance to ensure that the transactions were conducted in accordance with the terms of the Product Sales Agreement, on normal commercial terms (or terms more favourable than terms available to the independent parties), and in accordance with the pricing principles of the Company pursuant to the Listing Rules;
- the Company will review the transactions with the Science City Group to identify any continuing connected transaction that may be at risk of exceeding the Caps, and any measures to be taken in respect of such transaction(s). The Group has established a series of measures and policies to ensure that the transactions will be conducted in accordance with the terms of the Product Sales Agreement, including but not limited to:
  - (i) the Company will designate specific personnel from the internal control department to monitor the transactions under the Product Sales Agreements and will report to the management of the Company regularly in relation to such transactions; and
  - (ii) the Group will also conduct random internal checks on a quarterly or more frequent basis to ensure that the internal control measures in respect of the transactions under the Product Sales Agreement remain complete and effective.

## **INFORMATION ON THE PARTIES**

### **Information on the Company and the Group**

The Company is a company incorporated in the Cayman Islands with limited liability and its Shares are listed on the Main Board of the Stock Exchange. The Company is an investment holding company and the Group is principally engaged in the manufacturing and sales of furniture. Science City is a controlling shareholder of the Company.

### **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.

## **INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all three independent non-executive Directors will be formed to consider the terms of, and the Caps for the transactions contemplated under the Product Sales Agreement so far as the interests of the Company and the Independent Shareholders are concerned as a whole.

## **INDEPENDENT FINANCIAL ADVISER**

The Company will appoint an Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Product Sales Agreement and the transactions contemplated thereunder.

## **EGM**

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve the Product Sales (including the Caps).

SCHK, Mr. Tse, Crisana, Charming Future, Leading Star and their respective associates and those who are interested in the Product Sales will be required to abstain from voting on the resolutions in relation to the Product Sales (including the Caps) at the EGM. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Product Sales and is therefore required to abstain from voting at the EGM for the relevant resolutions.

A circular containing, among other things, (1) particulars of the transactions contemplated under the Product Sales Agreement; (2) a notice of the EGM; (3) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (4) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; and (5) other information concerning the Company as required under the Listing Rules is expected to be despatched to the Shareholders on or around 28 August 2020, as more time is needed for the preparation of certain information (including but not limited to financial information) to be included in the circular.

## **LISTING RULES IMPLICATIONS**

As Science City is a controlling shareholder of the Company, it is a connected person of the Company. Accordingly, the transactions contemplated under the Product Sales Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 19 June 2020 in relation to the connected transactions of the Company involving the sale of furniture products (together with installation and other ancillary services) by the Group to Science City and its subsidiaries at the total consideration of RMB5,498,099.35 (the "**Furniture Sales**"). The Furniture Sales constitute connected transactions of the Company under Chapter 14A of the Listing Rules and the Company considers it appropriate to aggregate the Furniture Sales with the Product Sales under Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Caps for the transactions under the Product Sales Agreement and the Furniture Sales (as aggregated under Rule 14A.81 of the Listing Rules) exceed 25% but are less than 75%, the Product Sales (including the Caps), either on a standalone or aggregated

basis, constitute major and continuing connected transactions and are subject to the reporting, announcement, independent shareholders' approval and annual review 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 same meaning ascribed to it in the Takeovers Code
“associate”	has the same meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Cap(s)”	the proposed cap(s) for the transactions contemplated under the Product Sales Agreement
“Charming Future”	Charming Future Holdings Limited, a beneficial owner of 209,768,922 Shares, representing 8.07% of the issued share capital of the Company as at the date of this announcement and wholly-owned by Mr. Tse. It is deemed to be interested in 2,095,991,280 Shares, representing 80.66% of the issued share capital of the Company pursuant to the Concert Group Agreement
“Company”	Royale Furniture 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 Agreement”	the concert group agreement dated 24 May 2019 entered into amongst SCHK, Mr. Tse, Leading Star, Crisana and Charming Future
“controlling shareholder”	has the same meaning ascribed to it in the Listing Rules
“Crisana”	Crisana International Inc., a beneficial owner of 185,840,120 Shares, representing 7.15% of the issued share capital of the Company as at the date of this announcement, and wholly-owned by Mr. Tse. It is deemed to be interested in 2,095,991,280 Shares, representing 80.66% of the issued share capital of the Company pursuant to the Concert Group Agreement

“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for, among other things, considering, and, if thought fit, approving, inter alia, the transactions to be carried out by the Company pursuant to the terms of, and the Caps for the transactions contemplated under the Product Sales Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Company comprising of all the independent non-executive Directors formed for advising the Independent Shareholders in respect of the terms of, and the Caps for the transactions contemplated under the Product Sales Agreement
“Independent Financial Adviser”	the independent financial adviser to be appointed to advise the Independent Board Committee and the Independent Shareholders on the terms of, and the Caps for the transactions contemplated under the Product Sales Agreement
“Independent Shareholders”	the shareholders of the Company other than the Science City Group, its associates and parties acting in concert with it who are required to abstain from voting on resolutions to approve the terms of, and the Caps for the transactions contemplated under the Product Sales Agreement at the EGM pursuant to the Listing Rules
“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 2.00% of the issued share capital of the Company as at the date of this announcement. It is deemed to be interested in 2,095,991,280 Shares, representing 80.66% 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 348,948,047 Shares, representing 13.43% of the issued share capital of the Company as at the date of this announcement. He is also deemed to be interested in the 2,095,991,280 Shares, representing 80.66% of the issued share capital of the Company pursuant to the Concert Group Agreement
“PRC”	the People’s Republic of China
“Product Sales”	the sales of furniture products (together with installation and other ancillary services) between the Group and the Science City Group pursuant to the Product Sales Agreement
“Product Sales Agreement”	the product sales agreement dated 26 June 2020 entered into between the Company and Science City, pursuant to which the Group will sell furniture products (together with installation and other ancillary services) to members of the Science City Group for their internal consumption and resale
“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 1,299,462,964 Shares, representing 50.01% of the issued share capital of the Company as at the date of this announcement. It is deemed to be interested in 2,095,991,280 Shares, representing 80.66% 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. 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 Code on Takeovers and Mergers
“%”	per cent

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

Hong Kong, 26 June 2020

*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. Liu Zhijun; and three independent non-executive Directors, namely, Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin.*

\* *for identification purpose only*