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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)**

### **CONTINUING CONNECTED TRANSACTION MASTER PRODUCT SALES AGREEMENT**

#### **MASTER PRODUCT SALES AGREEMENT**

Reference is made to the announcement of the Company dated 26 June 2020 and the circular of the Company dated 30 September 2020 in relation to the 2020 Master Product Sales Agreement entered into between the Company and Science City on 26 June 2020 and the continuing connected transactions contemplated thereunder.

As the 2020 Master Product Sales Agreement expired on 31 December 2022, the Board announces that on 15 June 2023, the Company has entered into the Master Product Sales Agreement with Science City, pursuant to which members of the Group will sell furniture and related products (together with ancillary services) to members of the Science City Group for a term commencing on 15 June 2023 and ending on 31 December 2025.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Science City 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). Hence, Science City is a controlling shareholder of the Company and a connected person of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps for the Product Sales exceeds 0.1% but are all less than 5%, the Product Sales constitutes a continuing connected transaction for the Company and is subject to the reporting, announcement and annual review requirements, but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Reference is made to the announcement of the Company dated 26 June 2020 and the circular of the Company dated 30 September 2020 in relation to the 2020 Master Product Sales Agreement entered into between the Company and Science City on 26 June 2020 and the continuing connected transactions contemplated thereunder.

As the 2020 Master Product Sales Agreement expired on 31 December 2022, the Board announces that on 15 June 2023, the Company has entered into the Master Product Sales Agreement with Science City, pursuant to which members of the Group will sell furniture and related products (together with ancillary services) to members of the Science City Group for a term commencing on 15 June 2023 and ending on 31 December 2025.

## **MASTER PRODUCT SALES AGREEMENT**

### **Date**

15 June 2023

### **Parties**

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

### **Principal terms**

Pursuant to the Master Product Sales Agreement, the Group will sell furniture and related products (together with ancillary services) to members of the Science City Group on a non-exclusive basis, subject to the entering into of individual contracts as agreed between members of the Group and the Science City Group.

Members of the Group can also sell furniture and related products (together with 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 Master Product Sales Agreement, the Science City Group shall purchase furniture and related products (together with 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.

### **Term**

The Master Product Sales Agreement shall become effective for a term commencing from 15 June 2023 and ending on 31 December 2025 (both days inclusive).

## **Payment**

The purchase price payable under the Master Product Sales Agreement will be settled in cash or by way of bank transfer.

The time of payment will be negotiated and determined and agreed between the parties in the individual contracts to be entered into by the parties pursuant to the Master Product Sales Agreement.

## **PRICING PRINCIPLES**

Pursuant to the terms of the Master Product Sales Agreement, the Product Sales shall be conducted on normal commercial terms, in particular: (i) the Product Sales will be on terms no less favourable to the Group than terms available to independent third parties based on its internal control measures; (ii) the Product Sales will be conducted in the ordinary and usual course of business of the Group and after arm's length negotiations; and (iii) the transaction amount of the Product Sales will not exceed the annual caps.

The prices of the products (together with ancillary services) to be sold by the Group to the Science City Group shall be determined by reference to (and in any event no less favourable to) the prices of relevant comparable products (together with ancillary services) of similar quality, type and quantity in the trading database of the Group from time to time and generally applicable to all independent third parties on arm's length basis and normal commercial terms.

The Groups will review and compare the prices of products (together with ancillary services) offered by the Group to the Science City Group with at least two transaction records in respect of comparable products (together with ancillary services) offered by the Group to independent third parties from its trading database. It is the Group's general policy to select transaction records of comparable products (together with ancillary services) offered to independent third parties within the closest time to the proposed Product Sales.

A senior management personnel in the sales department of the Group will review the prices of products (together with ancillary services) offered by the Group to the Science City Group before the entering into of individual contracts pursuant to the Master Product Sales Agreement.

In the event that the prices of products (together with ancillary services) offered by the Group to the Science City Group are less favourable to the Group than those offered by the Group to independent third parties for comparable products (together with ancillary services) of similar quality, type and quantity in the trading database of the Group, the Group will not enter into the Product Sales.

The Group will at its best effort further negotiate with the Science City Group for more favourable terms in order to comply with the pricing principles of the Company as disclosed above.

## ANNUAL CAPS

### Annual caps

The annual caps for the Products Sales under the Master Product Sales Agreement for each of the period/years ending 31 December 2023, 2024 and 2025 are set out as follows:

	<b>For the period/year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Maximum transaction amount for the Products Sales under the Master Product Sales Agreement	74,000	74,000	74,000

Shareholders and potential investors of the Company should note that the above annual caps are not intended, and do not purport, to be an indication of the Group's future performance or profitability. Shareholders or potential investors of the Company should not rely on the annual caps in deciding how or whether or not to deal in the Shares.

### Historical annual caps

The historical annual caps for the sale of furniture products (together with installation and other ancillary services) under the 2020 Master Product Sales Agreement for each of the period/years ended 31 December 2020, 2021 and 2022 are set out as follows:

	<b>For the period/year ended 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 in respect of the sale of furniture products (together with installation and other ancillary services) under the 2020 Master Product Sales Agreement	150,000	250,000	350,000

## Historical transaction amounts

The historical transaction amounts in respect of the sale of furniture products (together with installation and other ancillary services) under the 2020 Master Product Sales Agreement for each of the period/years ended 31 December 2020, 2021 and 2022 are set out as follows:

	For the period/year ended 31 December		
	2020	2021	2022
	(RMB'000)	(RMB'000)	(RMB'000)
Actual transaction amount in respect of the sale of furniture products (together with installation and other ancillary services) under the 2020 Master Product Sales Agreement	38,484	47,396	43,442

Due to the outbreak of the COVID-19 pandemic, economic slowdown and the sluggish property market in the PRC, the progress of the property projects of the Science City Group had been affected. The demand for the Group's products was therefore less than the Group's estimation, and in turn the actual transaction amount in respect of the sale of furniture products fell short of the annual caps for the period/years ended 31 December 2020, 2021 and 2022.

## Basis of the annual caps

The annual caps are determined with reference to the internal projection on the demand of members of the Science City Group for internal consumption and resale of the furniture and related products of the Group and the Group's estimated production capacity, particularly (i) the projected average price per square metre estimated by the Group for furniture and related products (together with ancillary services) to be used in different types of property projects of the Science City Group based on the historical average selling prices of the furniture and related products (together with ancillary services) per square metre sold to independent third parties; (ii) the estimated purchase quantities of the furniture and related products (together with ancillary services) by the Science City Group for its property development projects based on the progress of each of the property project with reference to its expected completion date; (iii) the historical transaction amounts in respect of the sale of products under the 2020 Master Product Sales Agreement and the expected increase in transaction amounts in view of the expected recovery of the property market and the regaining of momentum in the development of property projects of the Science City Group; and (iv) provision of buffer to cover possible increase in demand for and fluctuation in prices of furniture and related products (together with ancillary services).

## **INFORMATION OF THE FURNITURE AND RELATED PRODUCTS**

A wide variety of furniture and related products are to be sold under the separate agreements to be entered into between members of the Group and members of the Science City Group pursuant to the Master Product Sales Agreement, such as desks, cabinets, sofa, chairs and conference tables, etc.. The Group will also provide ancillary services in relation to the Product Sales to members of the Science City Group, including but not limited to installation services. The Product Sales are conducted in the ordinary course of business of the Group and the proceeds from the Product Sales would constitute operating revenue of the Group.

## **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 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.

## **REASONS FOR AND BENEFITS OF THE PRODUCT SALES**

The Group is principally engaged in, amongst others, 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 for furniture and related products, boost its turnover and diversify its sales channel in the PRC. The Product Sales would also expand the sources of income of the Group and thereby benefiting the operations of the Group.

The Directors (including the independent non-executive Directors) are of the view that the Master Product Sales Agreement and the transactions contemplated thereunder (including the annual caps) 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 (1) Mr. Yang Jun, Mr. Wu Zhongming, Ms. Qin You, Mr. Chen Yisheng and Mr. Tao Ying 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 is deemed to have material interest in and has therefore abstained from voting on the resolutions of the Board approving the Master Product Sales Agreement and the transactions contemplated thereunder (including the annual caps).

## **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 Group maintains a trading database containing selling prices of its products and relevant terms and conditions of such transactions. The information in the trading database is obtained in the course of the Group's operations and from the Group's internal sources. The Company will continue to develop and maintain the trading database so as to include pricing information in relation to products sold by the Group in the future. Designated personnel of the sales department of the Group is responsible for the maintenance of the trading database, and the trading database is generally updated on an instantaneous (or as soon as practicable) basis after the materialization or consummation of a sales transaction. The Group will monitor and supervise the maintenance of the trading database to ensure that up-to-date records of the selling terms, prices and transaction records for products sold by the Group are properly kept. The Company will also conduct random checks on the trading database so as to ensure that effective and sound internal control measures are in place so that the Product Sales are conducted on a fair and reasonable basis.
- 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 Master Product Sales Agreement, including but not limited to: (i) the relevant business units and departments of the Group will monitor and review the prices and terms in respect of the Product Sales regularly in order to ensure that the Product Sales are conducted on normal commercial terms, in accordance with the annual caps set by the Company and the terms are no less favourable to the Group than those available to independent third parties; (ii) the Company will designate specific personnel from the internal control department to monitor the transactions under the Master Product Sales Agreement and will report to the management of the Company regularly in relation to such transactions; and (iii) 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 Master Product Sales Agreement remain intact and effective.

- 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 annual caps, and any measures to be taken in respect of such transaction(s).
- the Company will report the transactions under the Master 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 Master Product Sales Agreement will be reviewed by the independent non-executive Directors 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 Master Product Sales Agreement, on normal commercial terms (or terms no less favourable than terms available to the independent third parties), and in accordance with the pricing principles of the Company and the annual caps pursuant to the Listing Rules.
- the Company's independent auditor will be engaged to report on the continuing connected transactions under the Master Product Sales Agreement, which would, for the purpose of Rule 14A.56 of the Listing Rules, assist the Board in ensuring that the transactions under the Master Product Sales Agreement: (i) have proper Board approval; (ii) have in all material respects, been conducted in accordance with the pricing policies of the Group; (iii) were entered into, in all material respects, in accordance with the Master Product Sales Agreement; and (iv) have not exceeded the annual caps set by the Company.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Science City 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). Hence, Science City is a controlling shareholder of the Company and a connected person of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps for the Product Sales exceeds 0.1% but are all less than 5%, the Product Sales constitutes a continuing connected transaction for the Company and is subject to the reporting, announcement and annual review requirements, but are exempted from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.



## DEFINITIONS

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

“2020 Master Product Sales Agreement”	the master product sales agreement dated 26 June 2020 entered into between the Company and Science City, pursuant to which the Group shall sell furniture products (together with installation and other ancillary services) to members of the Science City Group
“acting in concert”	has the meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“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 is wholly-owned by Mr. Tse. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“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 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 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 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
“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 1,945,391,280 Shares, representing 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
“Master Product Sales Agreement”	the master product sales agreement dated 15 June 2023 entered into between the Company and Science City, pursuant to which the Group will sell furniture and related products (together with ancillary services) to members of the Science City Group
“Mr. Tse”	Mr. Tse Kam Pang, being an executive Director and the direct beneficial owner of 282,948,047 Shares, representing 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 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China, and Taiwan
“Product Sales”	the sales of furniture and related products (together with ancillary services) by the Group to the Science City Group pursuant to the Master Product Sales Agreement
“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 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 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 Code on Takeovers and Mergers
“%”	per cent.

By order of the Board  
**Royale Home Holdings Limited**  
**Yang Jun**  
*Chairman, Executive Director  
and Chief Executive Officer*

Hong Kong, 15 June 2023

*As at the date of this announcement, the Board comprises two executive directors, namely, Mr. Yang Jun (Chairman) and Mr. Tse Kam Pang (Co-Chairman); four non-executive directors, namely, Mr. Wu Zhongming, Ms. Qin You, Mr. Chen Yisheng and Mr. Tao Ying; 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