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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)

CONNECTED TRANSACTIONS FURNITURE SALES AGREEMENTS

THE FURNITURE SALES AGREEMENTS

The Board announces that on various dates, the Sellers (each being a subsidiary of the Company) entered into the Furniture Sales Agreements with the Purchasers (comprising Science City and its subsidiaries), pursuant to which the Sellers agreed to sell and the Purchasers agreed to purchase furniture products (together with installation and other ancillary services).

LISTING RULES IMPLICATIONS

Each of Guangzhou Kede, Guangzhou Kele, Guizhou Keyun and SCGZ is a subsidiary of Science City. Science City is a controlling shareholder of the Company and is (together with parties acting in concert with it) interested in an aggregate of 2,095,991,280 Shares, representing approximately 80.66% of the issued share capital of the Company as at the date of this announcement. Hence, each of Guangzhou Kede, Guangzhou Kele, Guizhou Keyun, SCGZ and Science City is a connected person of the Company. Accordingly, the transaction contemplated under each of the Furniture Sales Agreements constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. The Company considers it appropriate to aggregate the transactions under each of the Furniture Sales Agreements pursuant to Rule 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios on an aggregated basis under Rule 14A.81 of the Listing Rules exceed 0.1% but are less than 5%, the transactions contemplated under the Furniture Sales Agreements are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

Prior to the entering into of Furniture Sales Agreement E, the applicable percentage ratios on an aggregated basis under Rule 14A.81 of the Listing Rules in respect of the transactions contemplated under Furniture Sales Agreement A, Furniture Sales Agreement B, Furniture Sales Agreement C and Furniture Sales Agreement D are all below 0.1% and they had been exempt from the announcement, independent shareholders' approval and reporting requirements under Chapter 14A of the Listing Rules.

The Board announces that on various dates, the Sellers (each being a subsidiary of the Company) entered into the Furniture Sales Agreements with the Purchasers (comprising Science City and its subsidiaries), pursuant to which the Sellers agreed to sell and the Purchasers agreed to purchase furniture products (together with installation and other ancillary services).

THE FURNITURE SALES AGREEMENTS

The details of the Furniture Sales Agreements are described below:

Dates

Agreements	Date of Agreements
Furniture Sales Agreement A	: 6 January 2020
Furniture Sales Agreement B	: 8 January 2020
Furniture Sales Agreement C	: 20 April 2020
Furniture Sales Agreement D	: 13 May 2020
Furniture Sales Agreement E	: 19 June 2020

Parties

Agreements

Parties

Furniture Sales Agreement A	:	(a) Guangzhou Kede; and (b) Guangzhou Yufa
Furniture Sales Agreement B	:	(a) Guangzhou Kele; and (b) Guangzhou Yufa
Furniture Sales Agreement C	:	(a) Guizhou Keyun; and (b) Guangzhou Yufa
Furniture Sales Agreement D	:	(a) SCGZ; and (b) Guangzhou Royal
Furniture Sales Agreement E	:	(a) Science City; and (b) Guangzhou Royal

Principal terms of the Furniture Sales Agreements

Pursuant to the Furniture Sales Agreements, the Sellers shall sell furniture products (together with installation and other ancillary services) in accordance with the Furniture Sales Agreements to the Purchasers. The furniture products (together with installation and other ancillary services) delivered under the Furniture Sales Agreements shall be fit for quality and satisfy the standard and specifications as agreed between the Sellers and Purchasers in the Furniture Sales Agreements.

Consideration and payment terms

Agreements

Consideration and payment terms

Furniture Sales Agreement A : The total consideration for the sale of furniture products (together with installation and other ancillary services) under the Furniture Sales Agreement A is RMB87,600, which shall be settled by way of bank transfer by Guangzhou Kede.

The consideration is payable by Guangzhou Kede to Guangzhou Yufa in the following manner:

- (i) RMB43,800 (representing 50% of the consideration) shall be paid within 3 days from the date of the Furniture Sales Agreement A as first payment; and
- (ii) RMB43,800 (representing 50% of the consideration) shall be paid within 7 business days after delivery of the furniture products to Guangzhou Kede and such furniture products being accepted by Guangzhou Kede.

Furniture Sales Agreement B : The total consideration for the sale of furniture products (together with installation and other ancillary services) under the Furniture Sales Agreement B is RMB14,055, which shall be settled by way of bank transfer by Guangzhou Kele within 5 business days from the date of the Furniture Sales Agreement B.

Furniture Sales Agreement C : The total consideration for the sale of furniture products (together with installation and other ancillary services) under the Furniture Sales Agreement C is RMB45,733.35, which shall be settled by way of bank transfer by Guizhou Keyun.

The consideration is payable by Guizhou Keyun to Guangzhou Yufa in the following manner:

- (i) RMB22,866.68 (representing approximately 50% of the consideration) shall be paid within 3 business days from the effective date of the Furniture Sales Agreement C as first payment; and

Agreements

Consideration and payment terms

- (ii) RMB22,866.67 (representing approximately 50% of the consideration) shall be paid within 3 business days after delivery of the furniture products to Guizhou Keyun and such furniture products being accepted by Guizhou Keyun.

Furniture Sales Agreement D : The total consideration for the sale of furniture products (together with installation and other ancillary services) under the Furniture Sales Agreement D is RMB183,800, which shall be settled by way of bank transfer by SCGZ.

The consideration is payable by SCGZ to Guangzhou Royal in the following manner:

- (i) RMB91,900 (representing 50% of the consideration) shall be paid within 3 days from the date of the Furniture Sales Agreement D as first payment; and
- (ii) RMB91,900 (representing 50% of the consideration) shall be paid within 7 business days after delivery of the furniture products to SCGZ and such furniture products being accepted by SCGZ.

Furniture Sales Agreement E : The total consideration for the sale of furniture products (together with installation and other ancillary services) under the Furniture Sales Agreement E is RMB5,166,911 which shall be settled by way of bank transfer by Science City.

The consideration is payable by Science City to Guangzhou Royal in the following manner:

- (i) RMB1,550,073.30 (representing 30% of the consideration) shall be paid within 5 business days from the date of the Furniture Sales Agreement E as first payment;
- (ii) RMB2,583,455.50 (representing 50% of the consideration) shall be paid upon completion of manufacturing of the furniture products and before delivery;

Agreements

Consideration and payment terms

- (iii) RMB775,036.65 (representing 15% of the consideration) shall be paid after the delivery of the furniture products (together with installation and other ancillary services) to Science City and such furniture products (together with installation and other ancillary services) being accepted by Science City; and
- (iv) RMB258,345.55 (representing 5% of the consideration) shall be paid within 5 business days after the one (1) year warranty period commencing from the acceptance of furniture products (together with installation and other ancillary services).

The considerations under each of the Furniture Sales Agreements were determined after arm's length negotiation between the parties based on normal commercial terms by reference to the prevailing market prices at which and terms on which similar types of furniture products (together with installation and other ancillary services) are sold by the Group to its customers and the Consideration and terms of the Furniture Sales Agreements are no less favourable to the Group than those of products sales by the Group to independent third parties.

Warranty terms

Agreements

Warranty terms

- Furniture Sales Agreement A : The warranty period for the furniture products shall be two (2) years, commencing from the date of delivery and acceptance of such furniture products. During the warranty period, Guangzhou Yufa shall be responsible for repairing the damages caused by defects in the furniture products.
- Furniture Sales Agreement B : The warranty period for the furniture products shall be one (1) year, during which Guangzhou Yufa shall be responsible for repairing any quality defects in the furniture products within three (3) days.
- Furniture Sales Agreement C : The warranty period for the furniture products shall be one (1) year, commencing from the date of delivery and acceptance of such furniture products. During the warranty period, Guangzhou Yufa shall be responsible for repairing any quality defects in the furniture products within three (3) days.

Agreements

Warranty terms

- Furniture Sales Agreement D : The warranty period for the furniture products shall be two (2) years, commencing from the date of delivery and acceptance of such furniture products. During the warranty period, Guangzhou Royal shall be responsible for repairing the damages caused by defects in the furniture products.
- Furniture Sales Agreement E : The warranty period for the furniture products shall be one (1) year, commencing from the date of delivery and acceptance of such furniture products. During the warranty period, Guangzhou Royal shall be responsible for repairing any quality defects in the furniture products within three (3) days.

INFORMATION OF THE FURNITURE PRODUCTS

A wide variety of furniture products are to be sold under the Furniture Sales Agreements, including but not limited to office desks, cabinets, sofa, chairs, conference table, beds etc.. The Furniture Sales are in the ordinary course of business of the Group and the proceeds from the Furniture Sales would constitute operating revenue of the Group.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS UNDER THE FURNITURE SALES AGREEMENTS

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

The Furniture Sales are consistent with the principal business of the Group and would allow the Group to leverage its production capacity in terms of furniture and boost the turnover and broaden its sales channel in the PRC. The Furniture 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 (including the independent non-executive Directors) are of the view that the Furniture Sales Agreements 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 (1) Mr. Yang Jun, Mr. Wu Zhongming, Mr. Wu Dingliang, Ms. Qin You and Mr. Liu Zhijun hold positions within the Science City Group; and (2) Mr. Tse Kam Pang is a person acting in concert with Science City (Hong Kong) Investment Co. Limited (a direct wholly-owned subsidiary of Science City) pursuant to a concert group agreement dated 24 May 2019, 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 Furniture Sales Agreements and the transactions contemplated thereunder.

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 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 engaged in construction, real estate development, and property management businesses in the PRC. Science City is a controlling shareholder of the Company.

Information on Guangzhou Kede

Guangzhou Kede is a company established in the PRC with limited liability and a direct non-wholly-owned subsidiary of Science City. It is principally engaged in municipal facilities management, real property development, building construction works, investment of real properties and property management.

Information on Guangzhou Kele

Guangzhou Kele is a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Science City. It is principally engaged in consultation and management of human resources, conference and exhibition services, supply chain management, corporate management consultancy and corporate management services.

Information on Guangzhou Yufa

Guangzhou Yufa is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the manufacturing and sales of furniture.

Information on Guizhou Keyun

Guizhou Keyun is a company established in the PRC with limited liability and a direct non-wholly-owned subsidiary of Science City. It is principally engaged in primary development of land, development of real estates, real estates marketing planning, construction and installation works, industrial park construction projects and property services.

Information on Guangzhou Royal

Guangzhou Royal is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the manufacturing and sales of furniture.

Information on SCGZ

SCGZ is a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Science City. It is principally engaged in consultancy of environmental protection technology and exchange services, promotion of environmental protection technology services and development of environmental protection technology services.

LISTING RULES IMPLICATIONS

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As one or more of the applicable percentage ratios on an aggregated basis under Rule 14A.81 of the Listing Rules exceed 0.1% but are less than 5%, the transactions contemplated under the Furniture Sales Agreements are subject to the reporting and announcement requirements but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements as set out in Chapter 14A of the Listing Rules.

Prior to the entering into of Furniture Sales Agreement E, the applicable percentage ratios on an aggregated basis under Rule 14A.81 of the Listing Rules in respect of the transactions contemplated under Furniture Sales Agreement A, Furniture Sales Agreement B, Furniture Sales Agreement C and Furniture Sales Agreement D are all below 0.1% and they had been exempt from the announcement, independent shareholders' approval and reporting requirements under 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 of the Company
“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
“Consideration”	the total consideration of the Furniture Sales under the Furniture Sales Agreements, on an aggregated basis
“controlling shareholder”	has the same meaning ascribed to it in the Listing Rules
“Directors”	the directors of the Company
“Furniture Sales”	the sale of furniture products (together with installation and other ancillary services) pursuant to the Furniture Sales Agreements
“Furniture Sales Agreements”	Furniture Sales Agreement A, Furniture Sales Agreement B, Furniture Sales Agreement C, Furniture Sales Agreement D and Furniture Sales Agreement E
“Furniture Sales Agreement A”	the furniture sales agreement dated 6 January 2020 entered into between Guangzhou Kede and Guangzhou Yufa, pursuant to which Guangzhou Yufa is to sell furniture products (together with installation and other ancillary services) to Guangzhou Kede
“Furniture Sales Agreement B”	the furniture sales agreement dated 8 January 2020 entered into between Guangzhou Kele and Guangzhou Yufa, pursuant to which Guangzhou Yufa is to sell furniture products (together with installation and other ancillary services) to Guangzhou Kele

“Furniture Sales Agreement C”	the furniture sales agreement dated 20 April 2020 entered into between Guizhou Keyun and Guangzhou Yufa, pursuant to which Guangzhou Yufa is to sell furniture products (together with installation and other ancillary services) to Guizhou Keyun
“Furniture Sales Agreement D”	the furniture sales agreement dated 13 May 2020 entered into between SCGZ and Guangzhou Royal, pursuant to which Guangzhou Royal is to sell furniture products (together with installation and other ancillary services) to SCGZ
“Furniture Sales Agreement E”	the furniture sales agreement dated 19 June 2020 entered into between Science City and Guangzhou Royal, pursuant to which Guangzhou Royal will sell furniture products (together with installation and other ancillary services) to Science City
“Group”	the Company and its subsidiaries
“Guangzhou Kede”	Guangzhou Kede Investment Co., Limited* (廣州科德投資有限公司), a company established in the PRC with limited liability and a direct non-wholly-owned subsidiary of Science City
“Guangzhou Kele”	Guangzhou Kele Operations Management Co., Limited* (廣州科樂運營管理有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Science City
“Guangzhou Royal”	Guangzhou Royal Furniture Co., Limited* (廣州皇朝家具有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Guangzhou Yufa”	Guangzhou Yufa Furniture Co., Limited* (廣州裕發家具有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Guizhou Keyun”	Guizhou Keyun Investment Development Co., Limited* (貴州科勻投資開發有限公司), a company established in the PRC with limited liability and a direct non-wholly-owned subsidiary of Science City
“Hong Kong”	the 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
“Purchasers”	Guangzhou Kede, Guangzhou Kele, Guizhou Keyun, SCGZ and Science City, each being a purchaser under the respective Furniture Sales Agreements and collectively the “Purchasers”
“RMB”	Renminbi, the lawful currency of the PRC
“SCGZ”	Science City (Guangzhou) Environmental Industry Investment Group Co., Limited* (科學城(廣州)環保產業投資集團有限公司), a company established in the PRC with limited liability and a direct wholly-owned subsidiary of Science City
“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
“Sellers”	Guangzhou Yufa and Guangzhou Royal, each being a seller under the respective Furniture Sales Agreements and collectively the “Sellers”
“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 Codes on Takeovers and Mergers

“%”

per cent

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

Hong Kong, 19 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*