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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)

CONNECTED TRANSACTION CONSTRUCTION AGREEMENTS

CONSTRUCTION AGREEMENTS

On 23 April 2021 (after trading hours), Guangdong Hengcheng entered into the Construction Agreements with SC (GZ) Construction (as principal contractor) and Guangzhou Yingde and Guangzhou Construction (as Sub-contractors), pursuant to which Guangdong Hengcheng agreed to engage SC (GZ) Construction (as principal contractor) and Guangzhou Yingde and Guangzhou Construction (as Sub-contractors) for the provision of construction services for the Construction for a total consideration of RMB46,342,855 (inclusive of tax).

LISTING RULES IMPLICATIONS

As at the date of this announcement, SC (GZ) Construction is wholly-owned by Science City, which is a controlling shareholder of the Company and 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, SC (GZ) Construction is a connected person of the Company and Construction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Construction are more than 0.1% but all are less than 5%, the Construction constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 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 Construction Agreements and the transactions contemplated thereunder.

INTRODUCTION

The Board is pleased to announce that on 23 April 2021 (after trading hours), Guangdong Hengcheng entered into the Construction Agreements with SC (GZ) Construction (as principal contractor) and Guangzhou Yingde and Guangzhou Construction (as Sub-contractors), pursuant to which Guangdong Hengcheng agreed to engage SC (GZ) Construction (as principal contractor) and Guangzhou Yingde and Guangzhou Construction (as Sub-contractors) for the provision of construction services for the Construction for a total consideration of RMB46,342,855.

CONSTRUCTION AGREEMENTS

The principal terms of the Construction Agreements are set out as follows:

Date

23 April 2021 (after trading hours)

Parties

- (i) Guangdong Hengcheng
- (ii) SC (GZ) Construction, as principal contractor
- (iii) Guangzhou Yingde Architecture and Construction Co., Ltd.* (廣州盈德建築工程有限公司), as a Sub-contractor
- (iv) Guangzhou Construction Development Co., Ltd.* (廣州建築產業開發有限公司), as a Sub-contractor

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Sub-contractors and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject matter

Guangdong Hengcheng has engaged SC (GZ) Construction (as principal contractor) and Guangzhou Yingde and Guangzhou Construction (as Sub-contractors) to provide design and construction services in relation to production facilities, warehouses and ancillary constructions (e.g. electricity, pump and sewage treatment constructions) on the site located in Guangdong Shunde Qingyuan (Yingde) Economic Cooperative Region, Qingyuan* (清遠市廣東順德清遠(英德)經濟合作區, the “**Yingde Production Facilities**”). SC (GZ) Construction shall also provide other ancillary services including budgeting and settlement, sub-contracting management and coordination, inspection and documentation and reporting services in relation to the Construction.

The design and construction work under the Construction shall satisfy the relevant national or regional regulations and requirements of the PRC government and industry quality and technical standards.

Construction period

The construction period under the Construction Agreements is expected to be approximately 180 calendar days after the issuance of construction permit by the relevant government authorities.

Consideration and payment terms

The total consideration for the Construction shall be RMB46,342,855 (inclusive of tax), comprising of the contract sum for design services (the “**Design Sum**”) and contract sum for construction services (the “**Construction Sum**”).

The Design Sum of RMB860,000 (inclusive of tax) shall be payable by way of bank transfer in the following manner:

- (a) 20% of the Design Sum shall be paid within 10 business days after the receipt of a payment application by Guangdong Hengcheng as prepayment;
- (b) 25% of the Design Sum shall be paid within 10 business days after the approval of the design plan and upon payment application made to Guangdong Hengcheng;
- (c) 20% of the Design Sum shall be paid within 10 business days after the inspection of the design work under the Constructions Agreement to the satisfaction of Guangdong Hengcheng and upon payment application made to Guangdong Hengcheng;
- (d) 12% of the Design Sum shall be paid within 10 business days after the inspection of the entire Construction project to the satisfaction of Guangdong Hengcheng and upon payment application made to Guangdong Hengcheng; and

- (e) the remaining Design Sum shall be paid within 10 business days after the completion of the audit and reporting of the design work under the Construction.

The Construction Sum of RMB45,482,855 (inclusive of tax) shall be payable by way of bank transfer in the following manner:

- (i) 20% of the Construction Sum shall be paid within 10 business days after the date of the Construction Agreements and project personnel and machinery and equipment being in place as construction prepayment;
- (ii) up to 85% (taking into the amounts already paid under (i)) of the Construction Sum (accumulated) to be paid each month in proportion to the progress of the Construction, which shall be to the satisfaction of and agreed in writing by Guangdong Hengcheng;
- (iii) up to 90% (taking into account the amounts already paid under (i) and (ii) above) of the Construction Sum (accumulated) to be paid upon the completion inspection of the Construction;
- (iv) up to 97% (taking into account the amounts already paid under (i) to (iii) above) of the Construction Sum (accumulated) shall be paid within 10 days after the completion of the audit and reporting of the Construction project; and
- (v) 3% as quality deposit, payable upon the expiry of one (1) year after a satisfactory completion inspection, if there is no quality defect.

The consideration for the Construction was determined on an arm's length basis through a tendering process and with reference to industry fee standard promulgated by PRC government authorities and the specifications of the facilities to be constructed in relation to the Yingde Production Facilities.

The consideration for the Construction will be financed by the internal resources of the Group.

INFORMATION ON THE PARTIES

Information on 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 principal activity of the Company is investment holding. The Group is principally engaged in the design, manufacturing and sales of home furniture and accessories.

Information on SC (GZ) Construction

SC (GZ) Construction is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of Science City. It is principally engaged in the business of property architecture and construction, railway construction and architecture and railway, traffic, tunnel and bridge construction and architecture. Its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council.

Information on Guangdong Hengcheng

Guangdong Hengcheng is a company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the business of manufacturing of home furniture and accessories.

Information on Guangzhou Yingde

Guangzhou Yingde is a company established under the laws of the PRC with limited liability. It is principally engaged in the business of contracting of architecture and constructions, municipal utilities constructions, special constructions, electrical engineering, curtain wall, fire safety, renovation and refurbishment, water-proof and urban and traffic lightings. Its ultimate beneficial owner is Mr. Lin Shaohong (林少宏).

Information on Guangzhou Construction

Guangzhou Construction is a company established under the laws of the PRC with limited liability. It is principally engaged in the business of property, municipal, bridge construction and surveying. Its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission, the People's Government of Guangdong Province (廣東省人民政府國有資產監督管理委員會).

REASONS FOR AND BENEFITS OF THE CONSTRUCTION

The Directors consider that the entering into of the Construction Agreements and the establishment and construction of the Yingde Production Facilities are beneficial to the Group as the construction of the Yingde Production Facilities would enable the Group to manufacture its furniture and accessories and further develop its business. As the consideration for the Construction was determined through a tendering process, the Board considers that terms of the Construction are fair and reasonable and no less favourable than those provided by independent third parties to the Company.

The Directors (including the independent non-executive Directors) consider that the Construction and the terms of the Construction Agreements are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, SC (GZ) Construction is wholly-owned by Science City, which is a controlling shareholder of the Company and 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, SC (GZ) Construction is a connected person of the Company and Construction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the Construction are more than 0.1% but all are less than 5%, the Construction constitutes a connected transaction of the Company and is subject to the reporting and announcement requirements but is exempt from the circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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 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 Construction Agreements and the transactions contemplated thereunder.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“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
“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 approximately 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 under the Listing Rules
“Construction”	the design and construction works in relation to production facilities, warehouses and ancillary constructions (e.g. electricity, pump and sewage treatment constructions) on the site located in Guangdong Shunde Qingyuan (Yingde) Economic Cooperative Region, Qingyuan* (清遠市廣東順德清遠 (英德) 經濟合作區) under the Construction Agreements
“Construction Agreements”	the construction and design agreements and implementation sub-contracting agreements entered into between Guangdong Hengcheng, SC (GZ) Construction and the Sub-contractors on 23 April 2021 in relation to the Construction
“controlling shareholder”	has the meaning ascribed to it under 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 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
“Guangdong Hengcheng”	Guangdong Hengcheng Furniture Ltd.* (廣東恒誠傢俬有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“Guangzhou Construction”	Guangzhou Construction Development Co., Ltd.* (廣州建築產業開發有限公司), a company established in the PRC with limited liability and a Sub-contractor
“Guangzhou Yingde”	Guangzhou Yingde Architecture and Construction Co., Ltd.* (廣州盈德建築工程有限公司), a company established in the PRC with limited liability and a Sub-contractor
“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 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 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 approximately 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SC (GZ) Construction”	Science City (Guangzhou) Architecture and Construction Co., Ltd.* (科學城(廣州) 建築工程有限公司) a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Science City
“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 48.68% 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. 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
“Sub-contractor(s)”	Guangzhou Construction and/or Guangzhou Yingde, each as a sub-contractor under the Construction, collectively, the “Sub-contractors”
“Takeovers Code”	the Hong Kong Codes on Takeovers and Mergers
“%”	per cent

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

Hong Kong, 23 April 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. 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*