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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional advisers.

**If you have sold or transferred** all your shares in Royale Home Holdings Limited, you should at once hand this circular, together with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)**

**(1) MAJOR AND CONTINUING CONNECTED TRANSACTIONS  
PRODUCT SALES AGREEMENT  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to the  
Independent Board Committee and the Independent Shareholders**

**ALTUS CAPITAL LIMITED**

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Capitalised terms used in this cover page have the same meanings as defined in this circular.

A letter from the Board is set out on pages 5 to 13 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 14 to 15 of this circular. A letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 16 to 28 of this circular.

A notice convening the EGM to be held at Room 607, 6/F, Tsim Sha Tsui Centre West Wing, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 23 October 2020 at 3:00 p.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Such form of proxy is also published on the website of The Stock Exchange of Hong Kong Limited at [www.hkexnews.hk](http://www.hkexnews.hk).

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

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## DEFINITIONS

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

“acting in concert”	has the same meaning ascribed to it in the Takeovers Code
“Announcement”	the announcement of the Company dated 26 June 2020 in relation to the entering into of the Product Sales Agreement between the Company and Science City and the Product Sales
“associate(s)”	has the meaning ascribed to it under 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 Latest Practicable Date and is 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 as at the Latest Practicable Date
“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
“controlling shareholder”	has the same meaning ascribed to it in the Listing Rules

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## DEFINITIONS

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“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 Latest Practicable Date, and is 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 as at the Latest Practicable Date
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for, among other things, considering, and, if thought fit, approving, <i>inter alia</i> , 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”	Altus Capital Limited, a licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser to 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

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## DEFINITIONS

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“Latest Practicable Date”	25 September 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Leading Star”	Leading Star Global Limited, a company wholly-owned by Mr. Tse as at the Latest Practicable Date and the direct beneficial owner of 51,971,227 Shares, representing 2.00% of the issued share capital of the Company as at the Latest Practicable Date. 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 as at the Latest Practicable Date
“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 Latest Practicable Date. 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 as at the Latest Practicable Date
“PRC”	the People’s Republic of China
“Product Sales”	the sale of furniture products (together with installation and other ancillary services) by the Group to 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

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## DEFINITIONS

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“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 Latest Practicable Date. 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 as at the Latest Practicable Date
“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
“SFO”	Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	the share(s) of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“%”	per cent

*In this circular, if there is any inconsistency between the Chinese names of entities or enterprises established in the PRC or Chinese government authorities or departments and their English translations, the Chinese names shall prevail.*

\* For identification purpose only

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LETTER FROM THE BOARD

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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)**

*Executive Directors:*

Mr. Tse Kam Pang (*Chairman*)

Mr. Yang Jun

*Non-executive Directors:*

Mr. Wu Zhongming

Mr. Wu Dingliang

Ms. Qin You

Mr. Liu Zhijun

*Independent non-executive Directors:*

Mr. Lau Chi Kit

Mr. Yue Man Yiu Matthew

Mr. Chan Wing Tak Kevin

*Registered office:*

Century Yard

Cricket Square Hutchins Drive

P.O. Box 2681 GT

Grand Cayman

Cayman Islands

British West Indies

*Head office and principal place of  
business in Hong Kong:*

Room 607, 6/F, Tsim Sha Tsui Centre West Wing

66 Mody Road, Tsim Sha Tsui East

Kowloon

Hong Kong

30 September 2020

*To the Shareholders*

Dear Sir or Madam,

**(1) MAJOR AND CONTINUING CONNECTED TRANSACTIONS  
PRODUCT SALES AGREEMENT  
AND  
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the Announcement in relation to the Product Sales Agreement and the Product Sales contemplated thereunder.

The primary purpose of this circular is to provide you with, among other matters, (1) particulars of the transactions contemplated under the Product Sales Agreement; (2) a notice of

\* For identification purpose only

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## LETTER FROM THE BOARD

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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.

### **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 members of 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 by way of bank transfer. The time of payment will be negotiated and determined 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 its 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



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## LETTER FROM THE BOARD

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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. It is the Group's policy to extract at least two to three price quotations offered by the Group to independent third parties for comparable products (together with installation and other ancillary services) from its internally compiled table or database. The Group will in general select price quotations for comparable products (together with installation and ancillary services) of similar quality and specifications, and sold under similar terms and quantity. It is also the Group's general policy to select price quotations of comparable products offered to independent third parties within the closest time to the proposed Product Sales. The Group will then compare the prices for comparable products (together with installation and other ancillary services) offered by the Group to independent third parties with those proposed to be agreed between the Group and the Science City Group. 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. A senior management personnel in the sales department of the Group will review the prices of products (together with installation and other ancillary services) offered by the Group to the Science City Group before the entering into of individual contracts pursuant to the Product Sales Agreement. In the event that the prices of products (together with installation and other 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, the Group will not enter into such transactions and will at its best effort further negotiate with the Science City Group for more favourable terms.

The Product Sales under the Product Sales Agreement will be properly recorded, including but not limited to prices determined and transaction amounts. As the management of the Group will review the aforesaid pricing policy on a regular basis and compare the price quotations provided by the Group to the Science City Group and those provided to other independent third parties, the Directors are of the view that the aforesaid method and procedures can ensure that the transactions contemplated under the Product Sales Agreement will be conducted on normal commercial terms and not prejudicial to the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### Proposed Caps

For the period/years ending 31 December 2020, 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 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 on the demand of 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, particularly (i) the projected average price per square metre estimated by the Group for products (together with installation and other ancillary services) to be used in different types of property projects of the Science City Group based on the historical average sales prices of the products (together with installation and other ancillary services) per square metre sold to independent third parties; (ii) the estimated purchase quantities of the furniture products (together with installation and other 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 completion date; (iii) the projected purchase quantities of the products (together with installation and other ancillary services) for the remaining period for the year ending 31 December 2020; and (iv) the projected growth in the estimated purchase quantities of the furniture products (together with installation and other ancillary services) for the year ending 31 December 2022 taking into account the expected demand for furniture products (together with installation and other ancillary services) in different types of property projects of the Science City Group for the year ending 31 December 2022 based on the progress of each of the property project with reference to its completion date and the expected development of business relationship between the Group and the Science City Group in view of their cooperation from 2020 to 2022.

### 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 Agreement, 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.

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## LETTER FROM THE BOARD

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### 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.

#### 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.

### REASONS FOR AND BENEFITS OF THE PRODUCT SALES

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 (including the independent non-executive Directors after taking into consideration the advice of the Independent Financial Adviser) 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 at the Science City Group and Mr. Tse is a person acting in concert with SCHK, a direct wholly-owned subsidiary of Science City, the above Directors 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.

\* For identification purpose only

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## LETTER FROM THE BOARD

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### 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 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 Product Sales Agreement, on normal commercial terms (or terms no less favourable than terms available to the independent parties), and in accordance with the pricing principles of the Company and the Caps pursuant to the Listing Rules;
- the Company's independent auditor will be engaged to report on the continuing connected transactions under the 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 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 Product Sales Agreement; and (iv) have not exceeded the Caps set by the Company;
- 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 Agreement 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 intact and effective.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As Science City is a controlling shareholder of the Company and was (through SCHK and parties acting in concert with it) interested in 2,095,991,280 Shares (representing approximately 80.66% of the issued share capital of the Company) as at the Latest Practicable Date, 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 all are less than 75%, the Product Sales (including the Caps), either on a standalone or aggregated basis, constitute a major and continuing connected transaction and is subject to the reporting, announcement, independent shareholders’ approval and annual review requirements under Chapter 14 and Chapter 14A of the Listing Rules.

### INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all three independent non-executive Directors has been 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. Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin, being all the independent non-executive Directors, have been appointed by the Board to serve as members of the Independent Board Committee. To the best knowledge, information and belief of the Directors, no member of the Independent Board Committee has any material interest in the Product Sales. A letter from the Independent Board Committee is set out on pages 14 to 15 of this circular.

### INDEPENDENT FINANCIAL ADVISER

Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Product Sales Agreement and the transactions contemplated thereunder. A letter from the Independent Financial Adviser is set out on pages 16 to 28 of this circular.

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## LETTER FROM THE BOARD

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### EGM

The EGM will be convened and held at Room 607, 6/F, Tsim Sha Tsui Centre West Wing, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 23 October 2020 at 3:00 p.m. for the Independent Shareholders to consider and, if thought fit, approve the Product Sales Agreement and the Product Sales (including the Caps) contemplated thereunder.

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

SCHK, Mr. Tse, Crisana, Charming Future, Leading Star (being parties acting in concert pursuant to the Concert Group Agreement holding an aggregate of 2,095,991,280 Shares (representing 80.66% of the issued share capital of the Company) as at the Latest Practicable Date) and their respective close 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.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the EGM shall be voted by poll in accordance with the Listing Rules and the memorandum and articles of association of the Company. The poll results will be announced in accordance with Rule 13.39(5) of the Listing Rules after the conclusion of the EGM.

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 14 to 15 of this circular and the letter from the Independent Financial Adviser set out on pages 16 to 28 of this circular. The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolutions regarding the Product Sales Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board Committee in this circular) consider that the Product Sales are in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are set out in the letter from the Independent Board

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## LETTER FROM THE BOARD

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Committee in this circular) recommend all Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM.

### FURTHER INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

**Shareholders and potential investors are advised to exercise caution when dealing in the Shares, and are recommended to consult their professional advisers if they are in any doubt about their position and as to actions that they should take.**

Yours faithfully,  
For and on behalf of the Board of Directors of  
**Royale Home Holdings Limited**  
**Tse Kam Pang**  
*Chairman and Executive Director*



**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)**

30 September 2020

*To the Independent Shareholders*

Dear Sir or Madam,

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

We refer to the circular issued by the Company to its shareholders dated 30 September 2020 (the “**Circular**”) of which this letter forms part. Unless otherwise specified, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the terms of the Product Sales Agreement and the Product Sales contemplated thereunder (including the Caps), details of which are set out in the letter from the Board contained in the Circular.

Altus Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Shareholders and us in respect of the terms of the Product Sales Agreement and the Product Sales contemplated thereunder (including the Caps). Details of the Independent Financial Adviser’s advice and the principal factors and reasons they have taken into consideration in giving such advice are set out on pages 16 to 28 of the Circular. Your attention is also drawn to the letter of the Board set out on pages 5 to 13 of the Circular and the additional information set out in the appendices thereto.

Having considered the terms of the Product Sales Agreement and the Product Sales contemplated thereunder (including the Caps), the advice of the Independent Financial Adviser and the principal factors and reasons taken into consideration by the Independent Financial Adviser, we are of the opinion that the terms of the Product Sales Agreement and the Product Sales contemplated thereunder (including the Caps) are in the ordinary and usual course of business of the Company and on normal commercial terms, and the terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

\* *For identification purpose only*



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## LETTER FROM INDEPENDENT BOARD COMMITTEE

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We, therefore, recommend the Independent Shareholders to vote in favour of the relevant resolution(s) to be proposed at the EGM to approve and ratify the terms of the Product Sales Agreement and the Product Sales contemplated thereunder (including the Caps).

Yours faithfully,  
For and on behalf of  
the Independent Board Committee of  
**Royale Home Holdings Limited**

**Mr. Lau Chi Kit**  
*Independent*  
*non-executive Director*

**Mr. Yue Man Yiu Matthew**  
*Independent*  
*non-executive Director*

**Mr. Chan Wing Tak Kevin**  
*Independent*  
*non-executive Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of a letter of advice from, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the continuing connected transactions as contemplated under the Product Sales Agreement, which has been prepared for the purpose of incorporation in this circular.*

# ALTUS.

Altus Capital Limited  
21 Wing Wo Street  
Central, Hong Kong

30 September 2020

*To the Independent Board Committee and the Independent Shareholders*

Royale Home Holdings Limited  
Room 607, 6/F  
Tsim Sha Tsui Centre West Wing  
66 Mody Road, Tsim Sha Tsui East  
Kowloon, Hong Kong

Dear Sirs or Madam,

### MAJOR AND CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the transactions as contemplated under the Product Sales Agreement (including the Caps). Details of transactions are set out in the “Letter from the Board” contained in the circular of the Company dated 30 September 2020 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined herein or required by the context.

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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **LISTING RULES IMPLICATION**

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 ratio (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 proposed Caps), either on a standalone basis or in aggregate with the Furniture Sales, 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.

### **Parties to abstain from voting on the resolutions of the Board**

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.

### **Parties to abstain from voting at the EGM**

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.

### **THE INDEPENDENT BOARD COMMITTEE**

The Independent Board Committee comprising all three independent non-executive Directors, namely, Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin, who do not have any material interest in the Product Sales Agreement, has been established to

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advise the Independent Shareholders on the Product Sales Agreement and the transactions contemplated thereunder as to (i) whether the entering into of the Product Sales Agreement is in the ordinary and usual course of business of the Group, and in the interests of the Group and the Shareholders as a whole; (ii) whether the terms of the major and continuing connected transactions as contemplated under the Product Sales Agreement are on normal commercial terms, and are fair and reasonable as far as the Independent Shareholders are concerned; (iii) whether the proposed Caps have been fairly and reasonably arrived at; and (iv) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM to approve the major and continuing connected transactions contemplated under the Product Sales Agreement (including the proposed Caps).

### THE INDEPENDENT FINANCIAL ADVISER

As the Independent Financial Adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders as to whether (i) the entering into of the Product Sales Agreement is in the ordinary and usual course of business of the Group, and in the interests of the Group and the Shareholders as a whole; (ii) the terms of the major and continuing connected transactions as contemplated under the Product Sales Agreement are on normal commercial terms, and are fair and reasonable as far as the Independent Shareholders are concerned; (iii) the proposed Caps have been fairly and reasonably arrived at; and (iv) how the Independent Shareholders should vote in respect of the resolution to be proposed at the EGM to approve the major and continuing connected transactions contemplated under the Product Sales Agreement (including the proposed Caps).

We have not acted as an independent financial adviser or financial adviser for the Company's other transactions in the last two years prior to the date of the Circular. Pursuant to Rule 13.84 of the Listing Rules, and given that remuneration for our engagement to opine on the transactions contemplated under the Product Sales Agreement (including the proposed Caps) is at market level and not conditional upon successful passing of the resolution to be proposed at the EGM, and that our engagement is on normal commercial terms, we are independent of the Company.

### BASIS OF OUR ADVICE

In formulating our opinion, we have reviewed, amongst others, (i) the Product Sales Agreement; (ii) the annual report of the Company for the year ended 31 December 2019 (the "**2019 Annual Report**"); (iii) the announcement of the Company dated 19 June 2020 in relation to the connected transactions regarding the Furniture Sales Agreements (the "**Furniture Sales Agreements Announcement**"); (iv) the interim report of the Company for the six months ended 30 June 2020 (the "**2020 Interim Report**") and (v) other information as set out in the Circular.

We have also relied on the statements, information, opinions and representations contained or referred to in the Circular and/or provided to us by the Company, the Directors and the management of the Company (the "**Management**"). We have assumed that all statements, information, opinions and representations contained or referred to in the Circular and/or

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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provided to us were true, accurate and complete at the time they were made and will continue to be so up to the date of the EGM. The Directors collectively and individually accept full responsibility, including particulars given in compliance with the Listing Rules for the purpose of giving information with regards to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other facts the omission of which would make any statement in the Circular misleading.

We have no reason to believe that any statements, information, opinions or representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the statements, information, opinions or representations provided to us untrue, inaccurate or misleading.

We consider that we have been provided with, and have reviewed, sufficient information to reach an informed view and provide a reasonable basis for our opinion. We have not, however, conducted an independent investigation into the business, financial conditions and affairs or future prospects of the Group. The Company will notify the Shareholders of any material change after the Latest Practicable Date and after the despatch of the Circular.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation, we have considered the principal factors and reasons set out below:

#### 1. Background information of the Group and Science City

##### *1.1 Principal business of the Group and Science City*

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 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. Science City is a controlling shareholder of the Company.

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### *1.2 Financial information of the Group*

Set out below is a table summarising certain key financial information extracted from the 2019 Annual Report:

*Extract of Consolidated Statement of Profit or Loss*

	<b>For the six months ended</b>		<b>For the year ended</b>	
	<b>30 June</b>		<b>31 December</b>	
	<b>2020</b>	<b>2019</b>	<b>2019</b>	<b>2018</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Revenue	220,639	384,948	852,084	834,149
Gross Profit/(Loss)	(11,142)	126,613	264,716	267,205
Profit/(Loss) before taxation	(131,938)	13,094	103,713	88,878
Profit/(Loss) for the year	(131,938)	13,094	67,192	66,455

*Extract of Consolidated Statement of Financial Position*

	<b>As at 30 June</b>		<b>As at 31 December</b>	
	<b>2020</b>		<b>2019</b>	
	<i>(HK\$'000)</i>		<i>(HK\$'000)</i>	
	(unaudited)		(audited)	
	(unaudited)	(audited)	(audited)	
Non-current assets	2,176,177	2,002,787	1,777,855	
Current assets	606,590	856,344	613,563	
Current liabilities	528,529	456,586	606,329	
Non-current liabilities	294,800	283,985	241,621	
Net asset	1,959,438	2,118,560	1,543,468	

### *31 December 2019 compared with 31 December 2018*

The Group recorded revenue of approximately HK\$852.1 million for the year ended 31 December 2019 (2018: approximately HK\$834.1 million), representing an increase of 2.2% from the previous year. The increase in revenue was mainly due to an increased demand for customised furniture. Gross profit was approximately HK\$264.7 million (2018: HK\$267.2 million), representing a slight decrease of approximately 0.9%. The decrease on the Group's overall gross profit margin to approximately 31.1% for the year ended 31 December 2019 (2018: approximately 32.0%) was mainly due to an increase in manufacturing overheads, including depreciation on plant and equipment. Profit for the year was approximately HK\$67.2 million (2018: approximately HK\$66.5 million),

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representing a slight increase of approximately 1.1%. The improvement was a result of the decrease in finance costs and also the fact that the Group recorded a loss on disposal of subsidiaries in the previous financial year.

As at 31 December 2019, the Group recorded total non-current assets of approximately HK\$2,002.8 million (as at 31 December 2018: approximately HK\$1,777.9 million), representing an increase of approximately 12.7%. The increase was mainly due to the effect of adoption of HKFRS 16 and increase in investments in associates. In particular, investments in associates increased from approximately HK\$1.7 million as at 31 December 2018 to approximately HK\$90.6 million as at 31 December 2019 following the acquisition of 50% interests in Guangzhou Fuyue Design Company Limited.

Further, the Group's current assets were approximately HK\$856.3 million as at 31 December 2019 (as at 31 December 2018: approximately HK\$613.6 million), representing an increase of approximately 39.6%. The increase was mainly due to increase in cash and cash equivalent of approximately HK\$361.6 million. The Group's current liabilities were approximately HK\$456.6 million as at 31 December 2019 (as at 31 December 2018: approximately HK\$606.3 million), representing a decrease of approximately 24.7%. The decrease was mainly due to decrease in trade payables of approximately HK\$44.0 million and decrease in interest-bearing bank and other borrowings of approximately HK\$140.9 million. The Group's non-current liabilities were approximately HK\$284.0 million as at 31 December 2019 (as 31 December 2018: approximately HK\$241.6 million), representing an increase of approximately 17.5%. The increase was mainly due to an increase in interest-bearing bank and other borrowings of approximately HK\$63.7 million.

### *30 June 2020 compared with 30 June 2019*

The Group recorded revenue of approximately HK\$220.6 million for the six months ended 30 June 2020 (for the six months ended 30 June 2019: HK\$384.9 million), representing a decrease of approximately 42.7% from the same period in the previous year. The Group recorded gross loss of approximately HK\$11.1 million for the six months ended 30 June 2020 as compared to gross profit of approximately HK\$126.6 million for the six months ended 30 June 2019. The Group recorded loss for the period of approximately HK\$131.9 million for the six months ended 30 June 2020 as compared to profit for the period of approximately HK\$13.1 million for the six months ended 30 June 2019. The deterioration in business and financial performance of the Group was predominately attributable to the negative impact on consumption sentiment for durable goods caused by the novel coronavirus epidemic.

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### *30 June 2020 compared with 31 December 2019*

As at 30 June 2020, the Group recorded total non-current assets of approximately HK\$2,176.2 million (as at 31 December 2019: approximately HK\$2,002.8 million), representing an increase of approximately 8.7%. The increase was mainly attributable to acquisition of investment in associates of approximately HK\$191.8 million. The Group's recorded total current assets of approximately HK\$606.6 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$856.3 million), representing a decrease of approximately 29.2%. This was primarily due to the decrease in cash and cash equivalents of approximately HK\$257.3 million in relation to acquisition of investment in associates as mentioned above. Current liabilities were approximately HK\$528.5 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$456.6 million), representing an increase of approximately 15.8%. The increase was mainly due to increase in interest-bearing bank and other borrowings of approximately HK\$75.4 million. Non-current liabilities were approximately HK\$294.8 million as at 30 June 2020 (as at 31 December 2019: approximately HK\$284.0 million), representing an increase of approximately 3.8%. Such increase was mainly due to an increase in lease liabilities of approximately HK\$20.3 million.

### *1.3 Outlook of the Group*

According to the 2020 Interim Report, the Directors expect that the deterioration in consumer appetite in the PRC brought upon by the novel coronavirus epidemic will continue and will bring unprecedented challenges to the furniture industry. In light of these challenges, the Group will continue to develop new business models and leverage on its existing business as its core to expand its business scale by both organic growth and external acquisitions.

## **2. The entering into of the Product Sales Agreement**

As set out in the "Letter from the Board" of the Circular, the Group currently engages in the manufacturing and sales of furniture. As the Product Sales Agreement involves sales of furniture products (together with installation and other ancillary services), the transactions contemplated thereunder are in the ordinary and usual course of business of the Group. Furthermore, as detailed below in the section headed "Principal terms of the Product Sales Agreement" in this letter, the entering into of the Product Sales Agreement does not prohibit the Group from selling furniture products (together with installation and other ancillary services) to third parties, and the pricing and terms of the furniture products (together with installation and other ancillary services) sold by the Group to members of the Science City Group will be no less favourable than those prevailing in the PRC market for products of similar type, quantity and quality offered by the Group to independent third parties, the Directors believe that the entering into of the Product Sales Agreement is beneficial to the Group as it would allow the Group to leverage on its existing production



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capacity, boost its turnover, broaden its sales channel in the PRC as well as enhance its sources of income.

For illustration purposes, by applying the proposed Caps as stated below in the paragraph headed “Proposed Caps under the Product Sales Agreement” in this letter to the revenue of the Group for the financial year ended 31 December 2019, revenue to be generated from the Product Sales may potentially increase the Group’s revenue for that financial year by approximately 19.6%, 32.7% and 45.7% respectively.

Having considered the above, we concur with the Directors’ view that the Product Sales Agreement will allow the Group to enhance its revenue, broaden its sales channel in the PRC and enhance its sources of income as the potential revenue contribution from the Product Sales Agreement is of a reasonable scale. As such, we are of the view that the transactions contemplated under the Product Sales Agreement are in the interest of the Group and the Shareholders as a whole. Furthermore, as the Group’s principal businesses are the manufacture and sales of furniture, and the Product Sales Agreement involves sales of furniture products (together with installation and other ancillary services), we are of the view that the transactions contemplated thereunder are in the ordinary and usual course of business of the Group.

### **3. Principal terms of the Product Sales Agreement**

The principal terms of the Product Sales Agreement are summarised below. Please refer to the “Letter from the Board” set out in the Circular for further details.

#### ***3.1 Product Sales***

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. We noted that the Product Sales is non-exclusive and is carried out in accordance with the terms and conditions as stipulated under the Product Sales Agreement where 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.

#### ***3.2 Pricing terms***

Pursuant to the Product Sales Agreement, we noted that the furniture products (together with installation and other ancillary services) sold by the Group to members of the Science City Group 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, quantity and quality offered by the Group to independent third parties. Prior to providing quotations to members of the Science

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City Group, we understand that it is the Group's policy to make reference to relevant market information and extract from its internally compiled table or database at least two to three price quotations offered by the Group to independent third parties within the closest time to the proposed Product Sales for furniture products (together with installation and other ancillary services) of similar type, specifications and quality and sold under similar terms and quantity, and compare them with the prices of comparable furniture products (together with installation and other ancillary services) of the proposed 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.

We also understand that, prior to entering into individual contracts under the Product Sales Agreement, a senior management personnel in the sales department of the Group will review the prices of furniture products (together with installation and other ancillary services) offered by the Group to the Science City Group and in the event where the prices of furniture products (together with installation and other 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 furniture products, the Group will not proceed with such transaction. Given that the Product Sales under the Product Sales Agreement will be properly recorded and reviewed by the Management on a regular basis, we are of the view that the pricing terms under the Product Sales Agreement and aforementioned internal procedure can safeguard the Group from receiving unreasonable price relative to its other customer(s) and to the market.

To ascertain that the pricing of the furniture products to be offered by the Group to Science City Group is no less favourable than those offered by the Group to independent third parties, we have reviewed the pricing for all sales transactions of furniture products sold by the Group to Science City Group under the Furniture Sales as mentioned in the Furniture Sales Agreements Announcement and compared them against 12 samples (including agreements that were entered into with independent third parties within three months of the respective agreements stipulated under the Furniture Sales Agreements Announcement) relating to the pricing of similar furniture products sold by the Group to independent third parties. Having compared the aforementioned, we consider the pricing terms under the Product Sales Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned.

### ***3.3 Payment terms***

The consideration payable under the Product Sales Agreement will be settled by cash or by way of bank transfer subsequent to the satisfactory inspection of the quality of the furniture products (together with installation and other ancillary

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services) and the time for payment will be negotiated upon the parties entering into individual contracts pursuant to the Product Sales Agreement. In any event, the payment terms offered to Science City Group shall be no more favourable to the prevailing terms offered by the Group to independent third parties.

To ascertain the payment terms offered by the Group to Science City Group under the Product Sales Agreement are no less favourable than those offered by the Group to independent third parties, we have reviewed the payment terms for all sales transactions of the Furniture Sales as mentioned in the Furniture Sales Agreements Announcement and compared them against 12 samples of the payment terms as stipulated in the sales agreements offered by the Group to independent third parties. Having compared the aforementioned, we consider the payment terms under the Product Sales Agreement are on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned.

Having considered the above, we concur with the Directors that the terms and conditions of the Product Sales Agreement are on normal commercial terms, are fair and reasonable and are in the interest of the Company and the Independent Shareholders as a whole.

#### 4. Proposed Caps under the Product Sales Agreement

The proposed Caps, pursuant to the Product Sales Agreement, for the aggregate amount of Product Sales (together with installation and other ancillary services) between the Group and members of the Science City Group for the period ending 31 December 2020 and years ending 31 December 2021 and 2022 are as follows:

##### *Proposed Caps*

	For the period/year ending 31 December		
	2020	2021	2022
Transactions under the Product Sales Agreement	RMB150 million (equivalent to approximately HK\$167 million) <sup>note</sup>	RMB250 million (equivalent to approximately HK\$278 million) <sup>note</sup>	RMB350 million (equivalent to approximately HK\$390 million) <sup>note</sup>

*Note:* An exchange rate of HK\$1: RMB0.8981 was adopted for the conversion.

With reference to the “Letter from the Board” of the Circular, we noted that the proposed Caps are determined with reference to the procurement projection by members of the Science City Group for their own internal consumption as well as resale of such furniture products and the Group’s estimated production capacity; in particular, (i) the projected average price per square meter estimated by the Group for furniture products (together with installation and other ancillary services) to be used in different types of property development projects of the Science City Group based on the historical average

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sales prices of the furniture products (together with installation and other ancillary services) per square meter to independent third parties; (ii) the estimated purchase quantities of the furniture products (together with installation and other 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 completion date; (iii) the projected purchase quantities of the products (together with installation and other ancillary services) for the remaining period for the year ending 31 December 2020; and (iv) the projected growth in the estimated purchase quantities of the furniture products (together with installation and other ancillary services) for the year ending 31 December 2022 taking into account the expected demand for products (together with installation and other ancillary services) in different types of property projects of the Science City Group for the year ending 31 December 2022 based on the progress of each of the property project with reference to its completion date and the expected development of business relationship between the Group and the Science City Group in view of their cooperation from 2020 to 2022.

To assess the fairness and reasonableness of the proposed Caps, we have reviewed the Science City Group's project procurement schedule on which the aforementioned procurement projection is based upon. We understand from the Management that the project procurement schedule was compiled based on information collected from the relevant staff of the Science City Group for each property development project. Further to our review, we note that the aforesaid schedule has taken into account the pipeline of property development projects of the Science City Group, with details on the estimated gross floor area, project completion date, and indicative purchase volume for each of the property development projects. We have also reviewed the Group's price list of furniture products to be sold to the Science City Group based on their preliminary purchase indications and requirements.

We noted that, 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. As such, we have enquired with the Management and understand that, for each property project of the Science City Group, the procurement team of the Science City Group will invite potential furniture products suppliers, such as the Group, to submit quotations, detailing the price, types of furniture, specification and quantity of furniture products to be supplied, in accordance with the indicative purchase volume provided by the Science City Group. The quotations to be submitted are subject to the internal approval procedures and procurement policies and conditions of the Science City Group. Once approved, a contract will then be signed with the selected supplier. We also understand that Science City Group intends to invite the Group to submit furniture supply quotations for all of its property development projects indicated under the project procurement schedule. Further, we noted that the estimated monthly purchase volumes are determined based on the progress of each property project with reference to their estimated completion dates.

The pipeline of property development projects of the Science City Group includes commercial, industrial as well as residential properties. The range of furniture products as

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well as gross floor area of the properties which require furniture products will vary depending on property type. We have reviewed the Group's estimated average price per square meter for different range of furniture products and different property types, which was determined based on the Management's experience as well as with reference to previous transactions of the Group for other projects with independent third parties. We understand that the proposed Caps are determined after taking into account the indicative purchase volume for each property development project and the average price per square meter estimated by the Group for different range of furniture products and different property types.

We consider that the basis of estimating the proposed Caps has been determined fairly and reasonably.

### **5. Internal control measures on continuing connected transactions**

The Group has adopted internal control measures and policies in respect of continuing connected transactions to provide an effective framework for corporate governance and risk management and monitoring all continuing connected transactions of the Group. Detailed internal control measures on continuing connected transactions are set out in the paragraph headed "Internal control measures" in the "Letter from the Board" of the Circular.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors are required to review the Group's continuing connected transactions annually and confirm in the Company's annual report that they have been (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or better; and (iii) according to the agreement governing them on terms that are fair and reasonable and in the interests of the Group's shareholders as a whole. Furthermore, in compliance with Rule 14A.56 of the Listing Rules, the Company engages its auditors to report on the Group's continuing connected transactions every year to assist the Board in ensuring that the transactions under the 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 Product Sale Agreement; and (iv) have not exceeded the Caps set by the Company.

Apart from internal control measures required by the Listing Rules, we noted that the Company will (i) designate specific personnel from the internal control department to monitor the transactions under the Product Sales Agreement and will report to the Management regularly in relation to such transactions; and (ii) 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.

Given the above, we consider that there exists appropriate procedures and arrangements to ensure that the transactions contemplated under the Product Sales Agreement will be conducted on terms that are fair and reasonable and are in the interests

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of the Company and the Shareholders as a whole; and on normal commercial terms and in the ordinary and usual courses of business of the Group.

### RECOMMENDATION

Having considered the above principal factors, we are of the view that (i) the entering into of the Product Sales Agreement is in the ordinary and usual course of business of the Group, and in the interests of the Group and the Shareholders as a whole; (ii) the terms and conditions of the Product Sales Agreement are on normal commercial terms, and are fair and reasonable as far as the Independent Shareholders are concerned; and (iii) the proposed Caps are fair and reasonable.

Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to advise the Independent Shareholders, to vote in favour of the resolution approving the Product Sales Agreement and the transactions contemplated thereunder (including the Caps) at the EGM.

Yours faithfully,  
For and on behalf of  
**Altus Capital Limited**

**Chang Sean Pey**  
*Executive Director*

**Leo Tam**  
*Assistant Director*

*Mr. Chang Sean Pey (“Mr. Chang”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 4 (advising on securities); Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO and permitted to undertake work as a sponsor. He is also a Responsible Officer of Altus Investment Limited licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO. Mr. Chang has over 20 years of experience in banking, corporate finance advisory and investment management. In particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance advisory transactions.*

*Mr. Leo Tam (“Mr. Tam”) is a Responsible Officer of Altus Capital Limited licensed to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and permitted to undertake work as a sponsor. He has over five years of experience in corporate finance and advisory in Hong Kong, in particular, he has participated in sponsorship work for initial public offerings and acted as financial adviser or independent financial adviser in various corporate finance transactions. Mr. Tam is a certified public accountant of the Hong Kong Institute of Certified Public Accountants.*

## 1. FINANCIAL INFORMATION

Financial information of the Group for the years ended 31 December 2017, 2018, and 2019 and the six months ended 30 June 2020 is disclosed in the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019 and the interim report of the Company for the six months ended 30 June 2020, respectively, which are available on the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the website of the Company (<https://royale.todayir.com/en/index.php>).

Annual report for the year ended 31 December 2017 (pages 32 to 112):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0419/ltn20180419825.pdf>

Annual report for the year ended 31 December 2018 (pages 32 to 116):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltn20190424930.pdf>

Annual report for the year ended 31 December 2019 (pages 34 to 128):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0428/2020042801052.pdf>

Interim report for the six months ended 30 June 2020 (pages 15 to 32):  
<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0909/2020090900353.pdf>

## 2. INDEBTEDNESS

The following table sets forth the Group's indebtedness as of 31 August 2020:

	<b>As at 31 August 2020 HK\$'000</b>
Included in the Group's balance sheet as "Interest-bearing bank borrowings" Interest-bearing bank borrowings-secured	154,202
Included in the Group's balance sheet as "Loan from non-controlling interest" Loan from non-controlling interest	38,846
Included in the Group's balance sheet as "Medium term bonds" Medium term bonds	32,889
Included in the Group's balance sheet as "Other payables and accruals and lease liabilities" Lease liabilities	41,358

As at the close of business on 31 August 2020, the Group had total outstanding consolidated interest-bearing bank borrowings and loan from non-controlling interests of approximately HK\$193,048,000 comprising (i) secured current bank loans of approximately HK\$66,652,000 and secured non-current bank loans of approximately HK\$87,550,000; (ii)

unsecured current and non-current loans from non-controlling interests approximately HK\$2,550,000 and HK\$36,296,000, respectively.

As at the close of business on 31 August 2020, the Group had total outstanding medium term bonds of approximately HK\$32,889,000.

As at the close of business on 31 August 2020, the Group had lease liabilities of approximately HK\$41,358,000.

### **Contingent liabilities**

As at the close of business on 31 August 2020 the Group had no material contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any loan capital issued or agreed to be issued but unissued, bank overdrafts or loans, or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities outstanding as at the close of business on 31 August 2020.

The Directors have confirmed that there had not been any material change in the indebtedness or contingent liabilities of the Group since 31 August 2020 and up to the Latest Practicable Date.

### **3. WORKING CAPITAL**

The Directors, after due and careful enquiry, are of the opinion that, after taking into account the Product Sales Agreement, the Acquisition Agreement and the Land Resumption Agreements, and the respective transactions contemplated thereunder and the present financial resources available to the Group, including internally generated funds, and other available banking and other facilities, the Group will have sufficient working capital to meet its present requirements for at least 12 months from the Latest Practicable Date.

### **4. MATERIAL ADVERSE CHANGE**

Reference is made to the profit warning announcements dated 11 May 2020 and 5 August 2020 (the “**Profit Warning Announcements**”) made by Company, which disclosed that the Group is likely to record a significant loss attributable to owners of the parent within the range of approximately HK\$115 million to HK\$135 million for the six months ended 30 June 2020 as compared with a profit attributable to owners of the parent of HK\$12,657,000 for the six months ended 30 June 2019.



Save as disclosed in the Profit Warning Announcements and the interim report of the Company published on 9 September 2020, the Directors confirm that there had been no material adverse change in the financial or trading position or outlook of the Group since 31 December 2019 (the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

## 5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

Looking into the second half of 2020, the global market continues to be ravaged by COVID-19. The Chinese economy will also be affected by the uncontrolled global epidemic, impacting its overall consumer market. It is expected that consumers will postpone their furniture purchase or downgrade their consumption, leading to severe and continuous challenges to the domestic furniture market. Despite these, the Group will continue to expand its business and develop new businesses models, including undertaking projects from the member companies of the Science City Group for bulk furniture sales. Furthermore, the Group will leverage its existing business and expand vertically to upstream and downstream businesses, in order to expand its scale and diversify its operating risk.

In July 2020, the Group announced an acquisition of 20% equity of Science City (Guangzhou) Finance and Leasing Co., Limited\* (科學城(廣州)融資租賃有限公司) at the total sum payable of RMB72,500,000, with an aim to provide the Group an opportunity to tap in the finance lease business and expand a source of stable income.

Despite various negative factors affecting the global economic outlook, the Group will continue to develop and enlarge its business scale by both organic growth and external acquisition opportunities.

\* For identification purpose only

**(A) RESPONSIBILITY STATEMENT**

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and is not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

**(B) DISCLOSURE OF INTERESTS****(a) Directors' and chief executive's interests**

As at the Latest Practicable Date, the interests and short positions of the Directors, proposed Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules as adopted by the Company, were as follows:

Name	Company	Capacity	Type of interest	Number of Shares	Approximate % of shareholding (Note 1)
Mr. Tse	Company	Beneficial owner	Long Position	348,948,047	13.43%
		Interest of controlled corporation (Note 2)	Long Position	447,580,269	17.22%
		A concert party to an agreement to buy shares described in s.317(1)(a) (Note 3)	Long Position	1,299,462,964	50.01%
Mr. Yue Man Yiu Matthew	Company	Beneficial owner	Long Position	3,000,000	0.12%

*Notes:*

1. The percentage is calculated on the basis of 2,598,561,326 Shares in issue as at the Latest Practicable Date.

2. Crisana, Charming Future and Leading Star are each wholly-owned by Mr. Tse, the Chairman and an executive Director.
3. On 24 May 2019, SCHK, Mr. Tse, Leading Star, Crisana and Charming Future entered into the Concert Group Agreement. As a result, SCHK, Mr. Tse, Leading Star, Crisana and Charming Future are parties acting in concert. As such, SCHK, Mr. Tse, Leading Star (being wholly owned by Mr. Tse), Crisana (being wholly owned by Mr. Tse) and Charming Future (being wholly owned by Mr. Tse) are deemed to be interested in 80.66% of the issued share capital of the Company by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, proposed directors and chief executives of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company and any of its associated corporations which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the SFO) or the Model Code adopted by the Company; or (ii) entered in the register required to be kept under Section 352 of the SFO.

**(b) Substantial shareholders' and other persons' interests in the shares and underlying shares of the Company**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, other than the interests of the Directors, proposed directors and chief executives of the Company as disclosed above, shareholders who had interests or short positions in the shares or underlying shares of the Company of 5% or more which need to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

Name of Shareholder	Capacity	Long Position/ Short Position	Number of Shares	Approximate % of issued share capital of the Company (Note 1)
SCHK	Beneficial owner (Note 2)	Long Position	1,299,462,964	50.01%
	A concert party to an agreement to buy shares described in s.317(1)(a) (Note 3)	Long Position	796,528,316	30.65%
Science City	Interest of controlled corporation (Note 2)	Long Position	2,095,991,280	80.66%

Name of Shareholder	Capacity	Long Position/ Short Position	Number of Shares	Approximate % of issued share capital of the Company (Note 1)
Crisana	Beneficial owner (Note 4)	Long Position	185,840,120	7.15%
	A concert party to an agreement to buy shares described in s.317(1)(a) (Note 3)	Long Position	1,910,151,160	73.51%
Charming Future	Beneficial owner (Note 4)	Long Position	209,768,922	8.07%
	A concert party to an agreement to buy shares described in s.317(1)(a) (Note 3)	Long Position	1,886,222,358	72.59%
Leading Star	Beneficial owner (Note 4)	Long Position	51,971,227	2.00%
	A concert party to an agreement to buy shares described in s.317(1)(a) (Note 3)	Long Position	2,044,020,053	78.66%

*Notes:*

1. The percentage is calculated on the basis of 2,598,561,326 Shares in issue as at the Latest Practicable Date.
2. SCHK is wholly owned by Science City, a company established in the PRC with limited liability on 21 August 1984. As such, Science City was deemed to be interested in 2,095,991,280 shares of the Company under Part XV of the SFO. Mr. Yang Jun, Mr. Wu Zhongming and Mr. Wu Dingliang are directors of SCHK.
3. On 24 May 2019, SCHK, Mr. Tse, Leading Star, Crisana and Charming Future entered into the Concert Group Agreement. As a result, SCHK, Mr. Tse, Leading Star, Crisana and Charming Future are parties acting in concert. As such, SCHK, Mr. Tse, Leading Star (being wholly owned by Mr. Tse), Crisana (being wholly owned by Mr. Tse) and Charming Future (being wholly owned by Mr. Tse) are deemed to be interested in 80.66% of the issued share capital of the Company by virtue of the SFO.
4. Crisana, Charming Future and Leading Star are each wholly-owned by Mr. Tse, the Chairman and an executive Director. Mr. Tse is the sole director of Crisana, Charming Future and Leading Star.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons or companies who had any interest or short position in the Shares or underlying Shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**(C) DIRECTORS' SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

**(D) COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors, proposed directors of the Company or their respective close associates had any interests in a business which competes or may compete, either directly or indirectly, with the business of the Group or any other conflicts of interests with the Group.

**(E) DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS**

As at the Latest Practicable Date:

- (a) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting, which was significant in relation to the business of the Group; and
- (b) none of the Directors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**(F) LITIGATION**

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, claims or arbitration of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against the Company or any of its subsidiaries.

**(G) MATERIAL CONTRACTS**

The following contracts, not being contracts entered in the ordinary course of business of the Group, have been entered into by the members of the Group within two years preceding the Latest Practicable Date and which are, or may be, material:

- (a) the custodian agreement dated 24 August 2020 and entered into between Guangzhou City Planning and Natural Resources Bureau (Zengcheng branch)\* (廣州市規劃和自然資源局增城區分局), Guangzhou Yufa Furniture Co., Limited\* (廣州裕發家具有限公司), an indirect wholly-owned subsidiary of the Company, and an independent third party property developer in relation to the formation of a joint venture for the specific purpose of participating in the bidding of a target land parcel having a total construction floor area of not more than 589,305 square metres with a plot ratio of not more than 3.0, for residential and commercial uses. For more details, please refer to the announcement of the Company dated 25 August 2020;
- (b) the acquisition agreement dated 28 July 2020 entered into between China Finance Leasing Limited as vendor and Comfort Sofa Limited, an indirect wholly-owned subsidiary of the Company, as purchaser, in relation to the acquisition of 20% equity interest in Science City (Guangzhou) Finance and Leasing Co., Limited\* (科學城(廣州)融資租賃有限公司) (together with an obligation to pay up the capital amount of RMB10,000,000) at the consideration of RMB62,500,000 (the “**Acquisition Agreement**”);
- (c) the furniture sales agreements entered into on various dates between subsidiaries of the Company and Science City and its subsidiaries in relation to 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;
- (d) the Product Sales Agreement;
- (e) the state-owned land use right resumption agreements (收回國有土地使用權協議) entered into by each of Guangzhou Yufa Furniture Co., Limited\* (廣州裕發家具有限公司) and Guangzhou Fuli Furniture Co., Limited\* (廣州富利家具有限公司), each being a wholly-owned subsidiary of the Company, with the Guangzhou City Planning and Natural Resources Bureau (Zengcheng branch)\* (廣州市規劃和自然資源局增城區分局), the People’s Government of Shitan Town, Zengcheng District of Guangzhou City\* (廣州市增城區石灘鎮人民政府) and Guangzhou City Zengcheng District Land Development Reserve Centre\* (廣州市增城區土地開發儲備中心) in respect of the resumption of two parcels of land owned by the Group, the details of which are set out in the announcement and circular of the Company dated 18 June 2020 and 30 September 2020 (the “**Land Resumption Agreements**”);

- (f) the non-binding strategic cooperation agreement entered into between the Company and China Construction Third Bureau First Engineering Co., Ltd.\* (中建三局第一建設工程有限責任公司) in respect of cooperation in procurement of furniture products and construction projects;
- (g) the memorandum of understanding of strategic cooperation entered into between SCHK and the Company dated 16 November 2018, details of which was disclosed in the announcement of the Company dated 16 November 2018;
- (h) the supplemental memorandum of understanding of strategic cooperation entered into between SCHK and the Company dated 1 April 2019, details of which was disclosed in the announcement of the Company dated 1 April 2019; and
- (i) the subscription agreement dated 24 May 2019 entered into between SCHK and the Company in relation to the subscription for 433,093,554 new shares of the Company for an aggregate subscription price of HK\$441,755,425.08.

#### (H) EXPERT'S QUALIFICATIONS AND CONSENT

The following are the qualifications of the expert who has given its opinions and advice which are included in this circular:

<b>Name</b>	<b>Qualification</b>
Altus Capital Limited	A licensed corporation to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO

Altus Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 30 September 2020 and references to its name, in the form and context in which it appears.

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest, either direct or indirect, in any assets which have been, since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

\* For identification purpose only

**(I) CORPORATE AND OTHER INFORMATION**

The registered office of the Company is situated at Century Yard, Cricket Square Hutchins Drive, P.O. Box 2681 GT, Grand Cayman, Cayman Islands, British West Indies.

The principal place of business in Hong Kong of the Company is situated at Room 607, 6/F, Tsim Sha Tsui Centre West Wing, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

The company secretary of the Company is Mr. Chui See Lai, he is responsible for the financial management, accounting and company secretarial duties of the Group. He is a member of the Hong Kong Institute of Certified Public Accountants and holds a bachelor's degree in accountancy. He has over 10 years financial management, accounting and auditing experience in Hong Kong listed companies and international accounting firms.

The Company's principal share registrar and transfer office is SMP Partners (Cayman) Limited, whose address is at 3rd Floor, Royal Bank House, 24 Shedden Road, P.O. Box 1586, Grand Cayman KY1-1110, Cayman Islands.

The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited, whose address is at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

**(J) DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during normal business hours from 9:30 a.m. to 5:00 p.m. (except Saturdays and public holidays) at the principal place of business of the Company in Hong Kong at Room 607, 6/F, Tsim Sha Tsui Centre West Wing, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong for a period from the date of this circular to the EGM (both days inclusive):

1. this circular;
2. the memorandum and articles of association of the Company;
3. the published annual reports of the Company containing audited consolidated financial statements of the Company for the years ended 31 December 2018 and 2019;
4. the published interim report of the Company published on 9 September 2020 containing unaudited consolidated financial statements of the Company for the six months ended 30 June 2020;
5. the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;



6. the letter from the Independent Board Committee, the text of which is set out in the section headed “Letter from Independent Board Committee” in this circular;
7. the letter from the Independent Financial Adviser, the text of which is set out in the section headed “Letter from Independent Financial Adviser” in this circular;
8. the written consents referred to in the paragraph headed “Experts’ Qualifications and Consents” in this appendix;
9. the material contracts referred to in the paragraph headed “Material Contracts” in this appendix;
10. the Product Sales Agreement; and
11. the circulars of the Company dated 4 September 2020 and 30 September 2020.

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## NOTICE OF EGM

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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)**

#### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “EGM”) of Royale Home Holdings Limited (the “Company”) will be held at Room 607, 6/F, Tsim Sha Tsui Centre West Wing, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong on Friday, 23 October 2020 at 3:00 p.m. for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution(s).

Words and expressions that are not expressly defined in this notice of EGM shall bear the same meaning as that defined in the circular to the shareholders of the Company dated 30 September 2020 (the “Circular”).

#### ORDINARY RESOLUTION

**“THAT:**

- (a) the Product Sales Agreement dated 26 June 2020 entered into between the Company and Science City in relation to the Product Sales and the consummation of transactions contemplated thereunder (including the proposed Caps) as more particularly described in the Circular and on the terms and conditions set out in the Product Sales Agreement be hereby approved, ratified and confirmed; and
- (b) authorization be granted to any one Director to complete and do all such acts or things (including executing all such documents, instruments and agreements as may be required) as the Company, such Director or, as the case may be, the Board may consider necessary, desirable or expedient or in the interest of the Company to give effect to the terms of the matters contemplated under the Product Sales Agreement and all transactions contemplated thereunder and all other matters incidental thereto or in connection therewith.”

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

Hong Kong, 30 September 2020

\* For identification purpose only

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## NOTICE OF EGM

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*Registered office:*  
Century Yard, Cricket Square  
Hutchins Drive  
P.O. Box 2681 GT  
Grand Cayman  
Cayman Islands  
British West Indies

*Head office and principal place of  
business in Hong Kong:*  
Room 607, 6/F, Tsim Sha Tsui Centre West Wing  
66 Mody Road Tsim Sha Tsui East  
Kowloon  
Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies (if he/she is a holder of more than one share) to attend and vote in his/her stead. A proxy need not be a member of the Company.
2. In order to be valid, the form of proxy must be in writing under the hand of the appointor or his/her attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal, or under the hand of an officer or attorney duly authorised on that behalf, and must be deposited at the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney, not less than 48 hours before the time appointed for holding the EGM or adjourned meeting.
3. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding of such share.
4. The board of directors of the Company has fixed 4:30 p.m. on Monday, 19 October 2020 as the record time and date for ascertaining shareholders' entitlement to attend and vote at the EGM. In order to be eligible to attend and vote at the forthcoming EGM to be held on Friday, 23 October 2020, all transfers of shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 19 October 2020.
5. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the EGM or adjourned meeting.
6. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution as set out in this notice will be voted by poll at the EGM. Where the chairman in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted, such resolution will be decided by a show of hands.
7. If Typhoon Signal No. 8 or above, or a "black" rainstorm warning is in effect any time after 9:30 a.m. and before the above meeting time, the EGM will be postponed. The Company will post an announcement on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>) and the Company (<http://royale.todayir.com>) to notify shareholders of the date, time and place of the rescheduled meeting.

*As at the date of this notice, 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.*