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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)

**MAJOR TRANSACTION
LAND RESUMPTION AGREEMENTS**

A letter from the Board is set out on pages 6 to 21 of this circular.

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DEFINITIONS

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

“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“Announcement”	the announcement of the Company dated 18 June 2020 in relation to the Land Resumptions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Charming Future”	Charming Future Holdings Limited, a beneficial owner of 209,768,922 Shares, representing 8.07% of the issued share capital of the Company as at the Latest Practicable Date and is wholly-owned by Mr. Tse. It was 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
“Compensation”	the compensation for the Land Resumption(s), as appropriate
“Compensation Bonus”	10% of the consideration determined by bidding at the public auction in respect of the part of Land Parcels with a Gross Plot Ratio of 2.0 or lower, representing additional compensation(s) payable to the transferor of Land Parcel(s) if the transferor cooperate in the completion of the cancellation of land use rights and physical delivery of Land Parcel(s) within the prescribed time under the Land Resumption Agreement(s)
“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

DEFINITIONS

“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 was 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
“Duff & Phelps”	D&P China (HK) Limited, the independent professional valuer appointed by the Company
“Fuli Furniture”	Guangzhou Fuli Furniture Co., Limited* (廣州富利家具有限公司), a wholly-owned subsidiary of the Company
“Gross Plot Ratio”	the total building area as confirmed in the land planning conditions divided by the total area of land resumed for consolidation and modification
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Land Parcel A”	a parcel of land situated at Baishigang, Jigang Cooperative Society, Hengling Village, Shitan Town* (石灘鎮橫嶺村基崗合作社白石崗) with a total land area of 77,478.70 square metres
“Land Parcel B”	a parcel of land situated at Baishigang, Jigang Cooperative Society, Hengling Village, Shitan Town* (石灘鎮橫嶺村基崗合作社白石崗) with a land area of 110,097.10 square metres
“Land Parcels”	Land Parcel A and Land Parcel B
“Land Reserve Centre”	Guangzhou City Zengcheng District Land Development Reserve Centre* (廣州市增城區土地開發儲備中心)
“Land Resumption(s)”	Land Resumption A and Land Resumption B

DEFINITIONS

“Land Resumption A”	the resumption of Land Parcel A by the Land Reserve Centre pursuant to the terms and conditions of the Land Resumption Agreement A
“Land Resumption B”	the resumption of the Land Parcel B by the Land Reserve Centre pursuant to the terms and conditions of the Land Resumption Agreement B
“Land Resumption Agreement A”	the state-owned land use right resumption agreement* (收回國有土地使用權協議) entered into between Yufa Furniture, the Planning Bureau, Shitan Town Government and the Land Reserve Centre in respect of the resumption of Land Parcel A
“Land Resumption Agreement B”	the state-owned land use right resumption agreement* (收回國有土地使用權協議) entered into between Fuli Furniture, the Planning Bureau, Shitan Town Government and the Land Reserve Centre in respect of the resumption of Land Parcel B
“Land Resumption Agreements”	Land Resumption Agreement A and Land Resumption Agreement B
“Land Use Right A”	the land use right in respect of Land Parcel A
“Land Use Right B”	the land use right in respect of Land Parcel B
“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 was 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

DEFINITIONS

“Modification Area(s)”	area(s) of modification recognised under the Three Olds Renovation Plan
“Mou”	Mou* (畝)
“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 was 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
“Planning Bureau”	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)
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SCHK”	Science City (Hong Kong) Investment Co. Limited, a direct wholly-owned subsidiary of Science City and the direct beneficial owner of 1,299,462,964 Shares, representing 50.01% of the issued share capital of the Company as at the Latest Practicable Date. It was 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)
“SFO”	Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	the share(s) of the Company

DEFINITIONS

“Shareholder(s)”	the holder(s) of the Shares
“Shitan Town Government”	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)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Land Parcel”	a parcel of land situated at Baishigang, Jigang Cooperative Society, Hengling Village, Shitan Town* (石灘鎮橫嶺村基崗合作社白石崗) with a total expected construction floor area of not more than 589,305 square metres and a plot ratio of not more than 3.0. The Land Parcels will form parts of the Target Land Parcel, the use of which is expected to be residential and commercial uses
“Three Olds Renovation Plan”	the “Three Olds Renovation Plan” (i.e. a plan on the renovation of the old urban areas, old villages and old plants) promulgated by the Guangzhou Government of the PRC
“Yufa Furniture”	Guangzhou Yufa Furniture Co., Limited* (廣州裕發家具有限公司), an indirect wholly-owned subsidiary of the Company
“%”	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

LETTER FROM THE BOARD



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

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Grand Cayman

Cayman Islands

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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,

**MAJOR TRANSACTION
LAND RESUMPTION AGREEMENTS**

INTRODUCTION

Reference is made to the Announcement in relation to the Land Resumptions.

The Company has obtained written approvals for the Land Resumptions in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders comprising SCHK, Mr. Tse, Leading Star, Crisana and Charming Future, who were beneficially interested in an aggregate of 2,095,991,280 Shares (representing approximately an aggregate of 80.66% of the entire issued share capital of the Company) as at the Latest Practicable Date. SCHK, Mr. Tse,

* *For identification purpose only*

LETTER FROM THE BOARD

Leading Star, Crisana and Charming Future are parties acting in concert pursuant to the Concert Group Agreement and thus are a closely allied group of Shareholders. As such, no general meeting will be convened for the approval of the Land Resumptions as is permitted under Rule 14.44 of the Listing Rules.

The primary purpose of this circular is to provide you with, among other matters, details of the Land Resumptions, the Land Resumption Agreements and the transactions contemplated thereunder and further information required to be disclosed under the Listing Rules.

LAND RESUMPTION AGREEMENT A

The principal terms of the Land Resumption Agreement A are as follows:

Date

18 June 2020

Parties

1. the Land Reserve Centre;
2. the Planning Bureau;
3. Shitan Town Government; and
4. Yufa Furniture.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Land Reserve Centre, the Planning Bureau, Shitan Town Government and each of their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

The Land Reserve Centre, the Planning Bureau, Shitan Town Government and Yufa Furniture entered into the Land Resumption Agreement A in accordance with relevant PRC laws and regulations, pursuant to which it was agreed that Land Use Right A of Land Parcel A will be resumed by the government.

LETTER FROM THE BOARD

Compensation

Pursuant to the Land Resumption Agreement A, the Compensation payable to Yufa Furniture for Land Parcel A will be determined in accordance with the mechanism set out below:

1. The total Compensation for Land Parcel A shall be the sum of (1) the compensation for the part of Land Parcel A recognised as Modification Area (the “**Recognised Land Parcel A Area**”); and (2) the compensation for the part of Land Parcel A not recognised as Modification Area;
2. Compensation for the part of the Recognised Land Parcel A Area representing Gross Plot Ratio of 2.0 or lower:

$$\frac{\text{Recognised Land Parcel A Area (i.e. 68,645.25 square metres)}}{\text{Total area of Land Parcel A resumed for consolidation and modification (i.e. 77,478.70 square metres)}} \times \frac{2.0}{\text{Gross Plot Ratio of Land Parcel A}} \times \text{Consideration determined by bidding at the public auction} \times 60\% \text{ (inclusive of the Compensation Bonus of 10\%)}$$

3. Compensation for the part of the Recognised Land Parcel A Area representing Gross Plot Ratio higher than 2.0:

$$\frac{\text{Recognised Land Parcel A Area (i.e. 68,645.25 square metres)}}{\text{Total area of Land Parcel A resumed for consolidation and modification (i.e. 77,478.70 square metres)}} \times \frac{\text{Gross Plot Ratio of Land Parcel A -2.0}}{\text{Gross Plot Ratio of Land Parcel A}} \times \text{Consideration determined by bidding at the public auction} \times 10\%$$

4. The compensation for the part of Land Parcel A not recognised as Modification Area (i.e. 8,833.45 square metres) shall be calculated with reference to the market valuation of Land Parcel A based on its original use at the time when the modification project is approved.

As at the Latest Practicable Date, the Company understands that the valuation of Land Parcel A based on industrial use is yet to be completed by the Planning Bureau. Based on the valuation report prepared by Duff & Phelps, the independent valuer engaged by the Company, the market industrial unit rate of

LETTER FROM THE BOARD

the Land Parcels is RMB748 per square metre and the appraised compensation for the part of Land Parcel A not recognized as Modification Area is RMB6.1 million.

The Compensation for Land Parcel A was negotiated by the parties on an arms' length basis and will be determined with reference to a bidding process in respect of the public auction mentioned above.

During the negotiations between the parties to the Land Resumption Agreement A, it was understood that the base price for the public auction of Land Parcel A would possibly be around RMB7,197 per square metre by total building area (i.e. the total base price of Land Parcel A is expected to be RMB618,520,000). The base price for the public auction of Land Parcel A will be finally determined and announced by the government in the tender document.

Payment Terms

Upon completion of the transfer of Land Parcel A, the Planning Bureau shall inform Shitan Town Government in writing of the Compensation calculated in accordance with the Land Resumption Agreement A. Shitan Town Government shall then apply to the Land Reserve Centre (who would apply to the finance bureau on a district level) for funds to be utilized for payment of the Compensation for Land Resumption A. The above procedures would involve collaborations among different government authorities and it is expected that reasonable time would be required for the arrangement of payment of the Compensation.

Upon the satisfaction of all the conditions (i), (ii) and (iii) listed below, Shitan Town Government shall within three (3) months pay the Compensation for Land Resumption A (after retaining a contingency sum in view of leftover problems of Land Parcel A calculated by the area stated in the land certificate of Land Parcel A multiplied by RMB200,000 per Mou (亩) (the "**Contingency Sum A**")) to a designated account of Yufa Furniture:

- (A) Yufa Furniture having delivered Land Parcel A to Shitan Town Government and signed a land delivery confirmation;
- (B) Land Parcel A having been successfully transferred and a state-owned land use right transfer agreement having been entered into; and
- (C) the soil and environmental investigation and assessment in respect of Land Parcel A having been completed and corresponding filing(s) having been obtained (if rectification and restoration of land is involved, the filings in respect of the restoration implementation plan and restoration effect assessment having been obtained).

The Contingency Sum A shall be settled and paid to a designated account of Yufa Furniture within one (1) year after all the conditions (i), (ii) and (iii) listed above are

LETTER FROM THE BOARD

satisfied. Under the Land Resumption Agreement A, Yufa Furniture shall be responsible for handling unforeseeable problems in respect of Land Parcel A, including historical leftover problems relating to land resumption from farmers, problems of removal of plantations and other objects attached to land etc., at its own costs. It is the obligation of Yufa Furniture to deliver Land Parcel A free from encumbrances and/or leftover problems. The Contingency Sum A is to be held by the Shitan Town Government as deposit for a one (1)-year period and may be utilized by it for the restoration of the abovementioned problems.

LAND RESUMPTION AGREEMENT B

The principal terms of the Land Resumption Agreement B are as follows:

Date

18 June 2020

Parties

1. the Land Reserve Centre;
2. the Planning Bureau;
3. Shitan Town Government; and
4. Fuli Furniture.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Land Reserve Centre, the Planning Bureau, Shitan Town Government and each of their ultimate beneficial owners are third parties independent of the Company and its connected persons.

Subject Matter

The Land Reserve Centre, the Planning Bureau, Shitan Town Government and Fuli Furniture entered into the Land Resumption Agreement B in accordance with relevant PRC laws and regulations, pursuant to which it was agreed that Land Use Right B of Land Parcel B will be resumed by the government.

LETTER FROM THE BOARD

Compensation

Pursuant to the Land Resumption Agreement B, the Compensation payable to Fuli Furniture for Land Parcel B will be determined in accordance with the mechanism set out below:

1. The total Compensation for Land Parcel B shall be the sum of (1) the Compensation for Land Parcel B for the part of Land Parcel B recognised as Modification Area (the “**Recognised Land Parcel B Area**”); and (2) the compensation for the part of Land Parcel B not recognised as Modification Area;
2. Compensation for the part of the Recognised Land Parcel B Area representing Gross Plot Ratio of 2.0 or lower:

$$\frac{\text{Recognised Land Parcel B Area (i.e. 105,053.57 square metres)}}{\text{Total area of Land Parcel B resumed for consolidation and modification (i.e. 110,097.10 square metres)}} \times \frac{2.0}{\text{Gross Plot Ratio of Land Parcel B}} \times \text{Consideration determined by bidding at the public auction} \times 60\% \text{ (inclusive of the Compensation Bonus of 10\%)}$$

3. Compensation for the part of the Recognised Land Parcel B Area representing Gross Plot Ratio higher than 2.0:

$$\frac{\text{Recognised Land Parcel B Area (i.e. 105,053.57 square metres)}}{\text{Total area of Land Parcel B resumed for consolidation and modification (i.e. 110,097.10 square metres)}} \times \frac{\text{Gross Plot Ratio of Land Parcel B -2.0}}{\text{Gross Plot Ratio of Land Parcel B}} \times \text{Consideration determined by bidding at the public auction} \times 10\%$$

4. The compensation for the part of Land Parcel B not recognised as Modification Area (i.e. 5,043.53 square metres) shall be calculated with reference to the market valuation of Land Parcel B based on its original use at the time when the modification project is approved.

As at the Latest Practicable Date, the Company understands that the valuation of Land Parcel B based on industrial use is yet to be completed by the Planning Bureau. Based on the valuation report prepared by Duff & Phelps, the independent valuer engaged by the Company, the market industrial unit rate of

LETTER FROM THE BOARD

the Land Parcels is RMB748 per square metre and the appraised compensation for the part of Land Parcel B not recognized as Modification Area is RMB3.5 million.

The Compensation for Land Parcel B was negotiated by the parties on an arms' length basis and will be determined with reference to a bidding process in respect of the public auction mentioned above.

During the negotiations between the parties to the Land Resumption Agreement B, it was understood that the base price for the public auction of Land Parcel B would possibly be around RMB7,171 per square metre by total building area (i.e. the total base price of Land Parcel B is expected to be RMB968,200,000). The base price for the public auction of Land Parcel B will be finally determined and announced by the government in the tender document.

Payment Terms

Upon completion of the transfer of Land Parcel B, the Planning Bureau shall inform Shitan Town Government in writing of the Compensation calculated in accordance with the Land Resumption Agreement B. Shitan Town Government shall then apply to the Land Reserve Centre (who would apply to the finance bureau on a district level) for funds to be utilized for payment of the Compensation for Land Resumption B. The above procedures would involve collaborations among different government authorities and it is expected that reasonable time would be required for the arrangement of payment of the Compensation.

Upon the satisfaction of all the conditions (i), (ii) and (iii) listed below, the Shitan Town Government shall within three (3) months pay the Compensation for Land Resumption B (after retaining a contingency sum in view of leftover problems of Land Parcel B calculated by the area stated in the land certificate of Land Parcel B multiplied by RMB200,000 per Mou (亩) (the “**Contingency Sum B**”)) to a designated account of Fuli Furniture:

- (A) Fuli Furniture having delivered Land Parcel B to the Shitan Town Government and signed a land delivery confirmation;
- (B) Land Parcel B having been successfully transferred and a state-owned land use right transfer agreement having been entered into; and
- (C) the soil and environmental investigation and assessment in respect of Land Parcel B having been completed and corresponding filings having been obtained (if rectification and restoration of land is involved, the filings in respect of the restoration implementation plan and restoration effect assessment having been obtained).

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The Contingency Sum B shall be settled and paid to a designated account of Fuli Furniture within one (1) year after all the conditions (i), (ii) and (iii) listed above are satisfied. Under the Land Resumption Agreement B, Fuli Furniture shall be responsible for handling unforeseeable problems in respect of Land Parcel B, including historical leftover problems relating to land resumption from farmers, problems of removal of plantations and other objects attached to the land etc., at its own costs. It is the obligation of Fuli Furniture to deliver Land Parcel B free from encumbrances and/or leftover problems. The Contingency Sum B is to be held by the Shitan Town Government as deposit for a one (1)-year period and may be utilized by it for the restoration of the abovementioned problems.

Common Terms of the Land Resumptions under the Land Resumption Agreements

1. Yufa Furniture/Fuli Furniture shall carry out investigation and assessment on the soil and environmental conditions of Land Parcel A/Land Parcel B in accordance with the relevant regulations in relation to modification of old factories. All costs arising from the relevant assessment, rectification and treatment of the polluted land shall be borne solely by Yufa Furniture/Fuli Furniture.
2. Yufa Furniture/Fuli Furniture has agreed to appoint the Land Reserve Centre as its representative for the cancellation of land title registrations and the property title registrations in connection with the Land Resumption A/Land Resumption B and transfer Land Parcel A/Land Parcel B to the government for reserve. Yufa Furniture/Fuli Furniture shall deliver original copies of the aforementioned title documents and relevant information to the Planning Bureau within three (3) business days after the date of the Land Resumption Agreement A/Land Resumption Agreement B.
3. Yufa Furniture/Fuli Furniture shall at its own costs remove all constructions erected on Land Parcel A/Land Parcel B and conduct land formation within 90 days from the date of the Land Resumption Agreement A/Land Resumption Agreement B. A land transfer confirmation shall be entered into between Yufa Furniture/Fuli Furniture and Shitan Town Government upon on-site inspection by Shitan Town Government. In the event that Yufa Furniture/Fuli Furniture has not deliver Land Parcel A/Land Parcel B in accordance with the time stipulated under the Land Resumption Agreement A/Land Resumption Agreement B, 10% of the Compensation for Land Resumption A/Land Resumption B shall be deducted on an annual basis.
4. Yufa Furniture/Fuli Furniture shall be responsible for handling unforeseeable problems in respect of Land Parcel A/Land Parcel B, including historical leftover problems relating to land resumption from farmers, problems of removal of plantations and other objects attached to the land etc., at its own costs. Shitan

LETTER FROM THE BOARD

Town Government is entitled to utilize the Contingency Sum A/Contingency Sum B in the amount of RMB23,243,600/RMB33,029,200 for the resolution of the abovementioned problems.

5. The Planning Bureau shall within one (1) year after the delivery of Land Parcels (if rectification and treatment of pollution of land is involved, the one (1) year-period shall commence from obtaining the filings on rectification implementation plan and rectification effect assessment) organise the transfer of Land Parcel A/Land Parcel B (whether in phases or all together) under the Land Resumption Agreement A/Land Resumption Agreement B. If the transfer is not organised within one (1) year (except where the Planning Bureau has organised the transfer but completion has not occurred), Shitan Town Government shall pay to Yufa Furniture/Fuli Furniture an amount of 60% by reference to the new use under urban planning and benchmark price of the planned saleable area of Land Parcel A/Land Parcel B, which shall later be deducted from the Compensation for Land Resumption A/Land Resumption B.
6. The actual details and scope as to Land Parcel A/Land Parcel B are subject to approvals for conditions of land use plans. If completion shall not occur after the Planning Bureau's organisation of transfer of Land Parcel A/Land Parcel B, the Planning Bureau is entitled to adjust and resubmit the conditions of plans and transfer proposal for the professional committees for architecture, environment, transportation and municipal services and the land committee for review and decision.

The Bidding Process

The Company understands that the bidding is expected to take place in October to November 2020. The bidding process would typically involve a preliminary appraisal of the value of the land parcel by the relevant government authority, followed by reviews conducted and approvals granted by the relevant land committees of the government with reference to an array of factors including but not limited to urban planning, land auction plan, estimated auction price and terms and conditions of land transfer. Upon obtaining such approvals, the relevant land parcel would then be arranged to be listed for bidding at a public auction.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the bidders for the Land Parcels under the Land Resumptions would not include connected persons of the Company and their respective associates. Subject to the finalisation and consummation of the JV (as defined below), the JV will participate in the Bidding (as defined below) of the Target Land Parcel, of which the Land Parcels form part.

The base prices for land parcels in public land auctions shall be determined with reference to amongst others, applicable PRC laws and policies. According to relevant documents issued by the Planning Bureau, the estimated base prices for Land Parcel A and Land Parcel B in the public auction shall be no less than (1) the market valuation; (2) the benchmark price; and (3)

LETTER FROM THE BOARD

the costs of the land transfer. The market valuation of Land Parcel A and Land Parcel B will be determined based on appraisals arranged by the Planning Bureau before the public auction of the Land Parcels. The benchmark price is the estimated land value determined by the relevant PRC government authorities with reference to, among other things, types of land use zoning, location of land, valuation of land of similar classification and the price variation on the real estate market.

FINANCIAL EFFECT OF THE LAND RESUMPTIONS

The unaudited net book value of the Land Parcels and the buildings erected thereon as at 30 June 2020 was approximately RMB243,482,000 (approximately 15.34% of the total Compensation for the Land Resumptions).

The Land Parcels and the buildings erected thereon will be de-recognised from the books of the Group when the Group transfers the legal titles of the Land Parcels to Shitan Town Government. Upon completion of the Land Resumptions, it is estimated that the total assets of the Group would be increased by approximately RMB1,306,184,000 being the (total Compensation of RMB1,586,720,000 determined with reference to the estimated base prices of the Land Parcels less the net book value of the Land Parcels and the buildings erected thereon, relocation costs and other related expenses) and there will be no material impact to the total liabilities of the Group.

The gain on the Land Resumptions will be recognised as other income in the amount of approximately RMB1,306,184,000 upon completion of the Land Resumptions. Such estimated gain has not taken into account of any PRC profits tax to be or may be charged and was calculated based on the estimated base price of the public auction of the Land Parcels. The actual gain will depend on the total Compensation (subject to the actual auction price of the Land Parcels) less the net book value of the Land Parcels and the buildings erected thereon, relocation costs and other related expenses to be incurred in connection with the Land Resumptions subject to annual audit of the Group.

Pursuant to a public announcement made by the Planning Bureau in early 2020, it was indicated that the Planning Bureau intended to resume the Land Parcels for urban renewal and modifications. The Group had since early 2020 commenced the preparation and implementation of the relocation of its manufacturing facilities on the Land Parcels to other leased manufacturing sites within the Zengcheng area. As at the valuation date (i.e. 30 June 2020), the relocation was substantially completed. It is estimated that the Group's earning ability would not be materially and adversely affected by the Land Resumptions as the Group has made appropriate relocation arrangements to cater for the production capacities that the Land Parcels are currently accounted for when the Group is required to deliver the Land Parcels pursuant to the Land Resumption Agreements. The Directors consider that the relocation had no material impact on the manufacturing operations (including the delivery of products and satisfaction of orders) of the Company in the first half of 2020 in light of the decrease in and/or delay of sales amidst the outbreak of the COVID-19 pandemic.

LETTER FROM THE BOARD

INFORMATION ON THE LAND PARCELS

Land Parcel A

Land Parcel A comprises of one parcel of land with a total land area of 77,478.70 square metres, of which 68,645.25 square metres are recognised as Modification Area and 8,833.45 square metres are not recognised as Modification Area. Land Parcel A is located at Baishigang, Jigang Cooperative Society, Hengling Village, Shitan Town* (石灘鎮橫嶺村基崗合作社白石崗), the PRC, which has been approved for industrial use.

The total building area as confirmed in the land planning conditions under the Business Letter of Resources Planning [2020] No. 5899* (穗規劃資源業務函 [2020] 5899號) of Land Parcel A is 195,225 square metres and the total area of land to be resumed under the Land Resumption Agreement A for consolidation and modification is 77,478.70 square metres. Therefore, the Gross Plot Ratio of Land Parcel A exceeds 2.0.

As at 30 June 2020, the unaudited net book value of Land Parcel A was approximately RMB9,731,000, and the unaudited net book value of the buildings erected thereon was approximately RMB93,928,000.

Land Parcel B

Land Parcel B comprises of one parcel of land with a total land area of 110,097.10 square metres, of which 105,053.57 square metres are recognised as Modification Area and 5,043.53 square metres are not recognised as Modification Area. Land Parcel B is located at Baishigang, Jigang Cooperative Society, Hengling Village, Shitan Town* (石灘鎮橫嶺村基崗合作社白石崗), the PRC, which has been approved for industrial use.

The total building area as confirmed in the land planning conditions under the Business Letter of Resources Planning [2020] No. 5900* (穗規劃資源業務函 [2020] 5900號) of Land Parcel B is 314,010 square metres and the total area of land to be resumed under the Land Resumption B for consolidation and modification is 110,097.10 square metres. Therefore, the Gross Plot Ratio of Land Parcel B exceeds 2.0.

As at 30 June 2020, the unaudited net book value of Land Parcel B was approximately RMB14,016,000, and the unaudited net book value of the buildings erected thereon was approximately RMB125,807,000.

INFORMATION ON THE PARTIES

Information on Yufa Furniture

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

LETTER FROM THE BOARD

Information on the Fuli Furniture

Fuli Furniture is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the manufacturing and sale of furniture.

Information on the Land Reserve Centre

The Land Reserve Centre is a government authority in Zengcheng District, Guangzhou, the PRC, which is mainly responsible for resumption of collective lands within the administrative area, resumption of buildings erected on state-owned lands, urban planning of government reserve lands and implementation and preparation of plans on supply of government reserve lands.

Information on the Shitan Town Government

Shitan Town Government is a government authority in Shitan Town, Zengcheng District, Guangzhou, the PRC, which is mainly responsible for enhancing economic development within the administration area, strengthening community management and optimizing public services.

Information on the Planning Bureau

The Planning Bureau is a government authority in Zengcheng, Guangzhou, the PRC, which is mainly responsible for evaluation and monitoring of natural resources, centralised registration of natural resources and urban planning.

Information on the Group

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

REASONS FOR AND BENEFITS OF THE LAND RESUMPTIONS

The Directors believe that the Land Resumptions would represent an excellent opportunity for the Group to realise the value of the Land Parcels and will enable the Group to free up capital for its business operations and/or other business and investment plans. The Group has observed an increase in the value of lands in the vicinity of the Land Parcels and is of the view that the Land Resumptions would enable the Group to optimise the usage of its resources. The Directors believe that the Land Resumptions would strengthen the Group's financial position, benefit the future business development of the Group and optimize the income stream of the Group in the long run.

LETTER FROM THE BOARD

The formulas for the calculation of the Compensations under the Land Resumption Agreements are determined based on the relevant PRC rules and regulations, including but not limited to, the Notice on Implementation of Urban Renewal Works in Guangzhou published by the People's Government of Guangzhou* (廣州市人民政府辦公廳關於印發廣州市深入推進城市更新工作實施細則的通知(穗府辦規[2019]5號)). The Company understands that the Land Resumption Agreements are based on a set of standardized market terms and conditions adopted by the relevant government authorities in land resumption transactions of similar nature. The Directors believe that the Land Resumptions represent a good opportunity for the Group to realise the value of the Land Parcels and free up capital for its operations amidst the outbreak of COVID-19 and the generally pessimistic market sentiment. The Land Resumptions are conducted under the "Three Olds Renovation Plan" promulgated by the relevant PRC government authorities, which is a policy intended to encourage urban renewal and modifications. Having considered:

- (1) the nature of the "Three Olds Renovation Plan" as an official and legal channel promulgated by the government authorities under which the potential redevelopment value of the Land Parcels may be realised, as the "Three Olds Renovation Plan" allows the conversion of the usage of the Land Parcels from industrial use to commercial/residential use and the sale and purchase of the Land Parcels to be concluded as an integrated endeavour and in a swift manner;
- (2) the standardized market terms and conditions in the Land Resumption Agreements as a whole;
- (3) the general market condition and the current circumstances pertaining to the business of the Company; and
- (4) the costs of relocating the manufacturing facilities of the Group in view of the Land Resumptions;

the Directors (including the independent non-executive Directors) consider that the terms of the Land Resumption Agreements (including the standardized market terms and conditions adopted by the relevant government authorities under the "Three Olds Renovation Plan" as a whole) are on normal commercial terms and on an arm's length basis, and the Land Resumptions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Reference is made to the announcement of the Company dated 25 August 2020 in relation a custodian agreement (the "**Custodian Agreement**") entered into between the Planning Bureau, Yufa Furniture and an independent third party property developer (the "**Property Developer**") on 24 August 2020 after short negotiations, which constituted inside information of the Company. The Property Developer and Yufa Furniture tentatively intend to establish a joint venture (the "**JV**"), for the specific purpose of participating in the bidding of the Target Land Parcel by way of a public land auction (the "**Bidding**") followed by the development of the Target Land Parcel.

LETTER FROM THE BOARD

It is expected that the total construction floor area of the Target Land Parcel will be not more than 589,305 square metres with a plot ratio of not more than 3.0, and the land use of the Target Land Parcel shall be residential and commercial uses. The Land Parcels will form a part of the Target Land Parcel, which will be listed for public auction after the completion of among others, the Land Resumptions. The actual urban planning indicators in relation to the Target Land Parcel shall be subject to the finally published urban planning conditions by the government.

Pursuant to the Custodian Agreement, the base price of the Target Land Parcel is expected to be not higher than RMB3,830,000,000. The Group will take into account the internal resources and liquidity and cashflow position of the Group and the business viability and profitability of the relevant project in negotiating the terms and conditions of the JV.

Following the entering into of the Land Resumption Agreements, the Group was approached by the Property Developer in respect of a potential investment and cooperation opportunity in a property development project involving the potential formation of the JV and the Bidding of the Target Land Parcel. As at the Latest Practicable Date, it is envisaged that the Group would participate in the JV as an investor and the Property Developer would be primarily responsible for the management of the development project. The Company considers that the JV, if and when materialised, would represent an attractive investment opportunity to the Group in a potential property development project. The Company is of the view that through the potential JV and Bidding, the Group would be able to hold an investment interest in the JV and enjoy the estimated income stream and earnings of the development project under the JV. The Group believes that the Land Resumptions are the only practicable means to the Group, in both a commercial and regulatory perspective, to realise the value of the Land Parcels; on the basis that under the Three Olds Renovation Plan, the land use of the Land Parcels may be converted from industrial use to residential and commercial uses. It is expected that the potential formation of the JV for the Bidding of the Target Land Parcel (of which the Land Parcels form part), if materialised, would be beneficial to the financial performance and cash flow position of the Company in the long run.

The Company will closely monitor the progress of the JV and the Bidding, and will comply with the relevant requirements under Chapters 14 and 14A of the Listing Rules if and when the JV and the Bidding materialise. The Company will keep the Shareholders and potential investors informed on the JV and the Bidding as and when appropriate, including but not limited to issuing update announcements on any material information in relation to the Land Resumptions, the JV and the Bidding.

There is no assurance that the Bidding or the JV will materialise or eventually be consummated. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the Shares.

LETTER FROM THE BOARD

USE OF PROCEEDS

The cash proceeds from the Land Resumptions may possibly be utilized towards the satisfaction of the commitments under the JV, if and when the JV and the Bidding materialise and subject to the specific terms and conditions of the JV to be agreed between the Company and the Property Developer. As at the Latest Practicable Date, certain net proceeds from the Land Resumptions are expected to be utilized for payment of operating costs, including but not limited to the purchase of raw materials for the manufacturing of furniture products for sale to its customers. Taking into account the general economic outlook and the performance of the Group so far in 2020, the Directors consider that it would be appropriate for the Group to (i) retain sufficient spare funds for the operations of the Group; and (ii) adopt a prudent development approach and strategy in respect of material investments and operational activities which may involve heavy capital commitments and utilize funds for quality development projects with a foreseeable income stream and potential of profitability.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios set out in Rule 14.07 of the Listing Rules in respect of the Land Resumption Agreements and the transactions contemplated thereunder exceed 25%, but do not exceed 75%, the Land Resumptions constitute a major transaction for the Company and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Based on the market comparison in respect of bid winning prices of public auctions of comparable land parcels located in close proximity to the Land Parcels in the immediately preceding two years conducted by the Company and the valuation of the Land Parcels appraised by Duff & Phelps in the amount of RMB1,583,000,000, the Company considers it highly unlikely that the Land Resumptions would become a very substantial disposal. The Company will closely monitor the bid winning prices in public auctions of land parcels in the vicinity of the Land Parcels and would use its best efforts to comply with the relevant requirements under the Listing Rules should the Land Resumptions subsequently become a very substantial disposal, including but not limited to entering into negotiation(s) with the other parties to the Land Resumption Agreements for the extension of completion of the Land Resumptions until Shareholders' approval is obtained.

Under Rule 14.44 of the Listing Rules, written shareholders' approval for the Land Resumptions may be obtained by way of shareholders' approval in lieu of holding a general meeting if (a) no Shareholder is required to abstain from voting if the Company were to convene a general meeting for the approval of the transactions; and (b) the written shareholders' approval has been obtained from a shareholder or a closely allied group of shareholders who together hold more than 50% of the voting rights at that general meeting to approve the transactions.

The Company has obtained written approvals for the Land Resumptions in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders comprising SCHK, Mr. Tse, Leading Star, Crisana and Charming Future, who are beneficially interested in an

LETTER FROM THE BOARD

aggregate of 2,095,991,280 Shares (representing approximately an aggregate of 80.66% of the entire issued share capital of the Company) as at the Latest Practicable Date. SCHK, Mr. Tse, Leading Star, Crisana and Charming Future are parties acting in concert pursuant to the Concert Group Agreement and thus are a closely allied group of Shareholders. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the bidders for the Land Parcels following the Land Resumptions would not include connected persons of the Company and no Shareholders or any of their respective close associates have any material interest in the Land Resumptions; and therefore none of them is required to abstain from voting if the Company were to convene a general meeting for the approval of the Land Resumptions. As such, no general meeting will be convened for the approval of the Land Resumptions as is permitted under Rule 14.44 of the Listing Rules.

RECOMMENDATION

The Directors (including the independent non-executive Directors) consider that the terms of the Land Resumption Agreements are on normal commercial terms and are negotiated on an arm's length basis, and the Land Resumptions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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

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) 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:

	As at 31 August 2020 HK\$'000
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 of the Company dated 11 May 2020 and 5 August 2020 (the “**Profit Warning Announcements**”), 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 PROSPECT 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 spending, 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), 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

The following is a text of the letter and valuation report prepared for the purpose of incorporation into the circular, received from Duff & Phelps, an independent valuer, in connection with the valuation of the Land Parcels as at 30 June 2020.

DUFF & PHELPS

30 September 2020

Royale Home Holdings Limited

Rm 607, 6/F, Tsim Sha Tsui Centre West Wing
66 Mody Road, Tsim Sha Tsui East
Kowloon, Hong Kong

Dear Sirs,

In accordance with the instruction of Royale Home Holdings Limited (the “**Company**”) or its subsidiaries (collectively hereinafter referred to as the “**Group**”) to provide our opinion of the market values of two land parcels (Land Parcels A and B) in Guangzhou, the People’s Republic of China (the “**PRC**”) (or hereafter referred as the “**Properties**” or the “**property interests**”). We confirm that we have carried out inspection of the Properties, made relevant enquiries and obtained such further information as we consider necessary for providing the market values of such property interests as of 30 June 2020 (referred to as the “**valuation date**”).

This letter which forms part of our valuation report explains the basis and methodologies of valuation, and clarifies our assumptions made, title investigation of property interests and the limiting conditions.

No third party shall have the right of reliance on this valuation report and neither receipt nor possession of this valuation report by any third party shall create any express or implied third-party beneficiary rights.

BASIS OF VALUATION

Our valuation is our opinion of the *Market Value* which is defined in accordance with the HKIS Valuation Standards of the Hong Kong Institute of Surveyors to mean “the estimated amount for which an asset or liability should exchange on the Valuation Date between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion”.

Market Value is understood as the value of an asset and liability estimated without regard to costs of sale or purchase (or transaction) and without offset for any associated taxes or potential taxes.

This estimate specifically excludes an estimated price inflated or deflated by special considerations or concessions granted by anyone associated with the sale, or any element of special value.

PROPERTY APPRAISED

The Properties comprise two industrial land parcels located in Guangzhou of the PRC, held by Guangzhou Yufa Furniture Company Limited (廣州裕發家具有限公司) (“**Yufa Furniture**”) and Guangzhou Fuli Furniture Company Limited (廣州富利家具有限公司) (“**Fuli Furniture**”).

As advised by the Group, 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) (“**Planning Bureau**”) has resumed the Properties from both Yufa Furniture and Fuli Furniture through the State-owned Land Use Rights resumption agreements of Land Parcels A and B (收回國有土地使用權協議) dated 18 June 2020.

The salient details of the Properties are tabulated below:

No.	Property Address	Site Area	Existing Use	New Planning Use after Land Resumptions	Maximum Gross Floor Area (“GFA”) under new planning
1. (Land Parcel A)	A land parcel held by Yufa Furniture located at Baishigang (local name), Jigang Cooperative Society, Hengling Village, Shitan Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC 廣州裕發家具有限公司 所持有之位於中國廣東省廣州市增城區石灘鎮橫嶺村基崗合作社白石崗(土名)的一塊土地	77,478.70 sq.m. (or about 116.218 Mou)	Industrial	Residential 68,645.25 sq.m. (or about 102.968 Mou) Industrial 8,833.45 sq.m. (or about 13.250 Mou)	195,225 sq.m. (Gross Plot Ratio ≈ 2.5197)
2. (Land Parcel B)	A land parcel held by Fuli Furniture located at Baishigang (local name), Jigang Cooperative Society, Hengling Village, Shitan Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC 廣州富利家具有限公司 所持有之位於中國廣東省廣州市增城區石灘鎮橫嶺村基崗合作社白石崗(土名)的一塊土地	110,097.10 sq.m. (or about 165.146 Mou)	Industrial	Residential 105,053.57 sq.m. (or about 157.580 Mou) Industrial 5,043.53 sq.m. (or about 7.565 Mou)	314,010 sq.m. (Gross Plot Ratio ≈ 2.8521)

VALUATION METHODOLOGY

In the course of our valuations, the property interests are mainly valued by the direct comparison method where comparison based on prices realized on actual sales or market price information of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of the property interests in order to arrive at a fair comparison.

TITLE INVESTIGATION

We have been provided with copies of documents in relation to the title of the property interests located in the PRC. However, due to the current registration system of the PRC, no investigation has been made for the legal title or any liabilities attached to the Properties. We have also not scrutinized the original documents to verify ownership or to verify any amendments which may not appear on the copies handed to us.

We have relied to a considerable extent on the information provided by the Company and the PRC legal opinion provided by the PRC legal adviser, Beijing Kangda (Guangzhou) Law Firm, on the PRC Law regarding the Properties located in the PRC.

All legal documents disclosed in this letter and valuation certificates are for reference only and no responsibility is assumed for any legal matters concerning the legal title to the property interests set out in this letter and valuation particulars.

ASSUMPTIONS

Our valuations have been made on the assumption that the owner sells the property interests on the market in its existing state without the benefit of deferred terms contracts, leaseback, joint ventures, management agreements or any similar arrangement which would serve to affect the values of the property interests.

No allowance has been in our valuations for any charges, mortgages or amounts owing on the Properties valued nor for any expenses or taxation which may be incurred in effecting a sale. Unless otherwise stated, all the property interests are free from encumbrances, restrictions and outgoings of an onerous nature which could affect their values.

We have assumed that the owner(s) of the property interests have free and uninterrupted rights to use, lease or mortgage the property interests. We have also assumed that the property interests are freely disposable and transferable.

It is assumed that all applicable zoning, land use regulations and other restrictions have been complied with unless a non-conformity has been stated, defined and considered in the valuation particulars. Further, it is assumed that the utilization of the land and improvements is within the boundaries of the property interests described and that no encroachment or trespass exists unless noted in the valuation particulars.

Other special assumptions of the Properties, if any, have been stated in the footnotes of the valuation particulars.

LIMITING CONDITIONS

We have relied to a considerable extent on the information provided by the Group and have accepted advice given to us by the Group on such matters as statutory notices, easements, tenure, occupancy, site areas and floor areas and all other relevant matters. Dimensions and areas included in the valuation particulars are based on information contained in the documents provided to us and are only approximations.

Having examined all relevant documentation, we have had no reason to doubt the truth and accuracy of the information provided to us. We have assumed that no material factors have been omitted from the information to reach an informed view, and have no reason to suspect that any material information has been withheld.

We have not carried out detailed site measurements to verify the land areas or building areas in respect of the properties but have assumed that the areas provided to us are correct. All dimensions and areas are approximations only.

Our Mr. Calvin Chan has inspected the Properties in 21 February 2019. No structural survey has been made and we are therefore unable to report as to whether the Properties are or are not free of rot, infestation or any other structural defects. No tests were carried out on any of the services.

No site investigations have been carried out to determine the suitability of the ground conditions or the services for the sites.

No environmental impact study has been ordered or made. Full compliance with applicable national, provincial and local environmental regulations and laws is assumed unless otherwise stated, defined, and considered in the report. It is also assumed that all required licenses, consents, or other legislative, or administrative authority from any local, provincial, or national government or private entity or organization either have been or can be obtained or renewed for any use which the report covers.

REMARKS

In valuing the property interests, we have complied with all the requirements contained in Paragraph 34(2) and (3) of Schedule 3 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32), Chapter 5 and Practice Note 12 to the Listing Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards (2017 Edition) published by the Hong Kong Institute of Surveyors and Rule 11 of the Codes on Takeovers and Mergers and Share Buy-backs. We confirm that we are an independent qualified valuer, as referred to Rule 11 of The Codes on Takeovers and Mergers and Share Buy-Backs published by the Securities and Futures Commission.

We hereby certify that we have neither present nor prospective interest in the Properties or the values reported. This valuation report is issued subject to our Assumptions and Limiting Conditions.

Unless otherwise stated, all monetary amount stated in this report is in Renminbi (RMB).

Yours faithfully,
For and on behalf of
D&P China (HK) Limited

Calvin K.C. Chan
CFA, MRICS, MHKIS, MCIREA, RPS (GP)
Director

Note: Mr. Calvin K. C. Chan, who is a Chartered Surveyor and Registered Professional Surveyor, has over 20 years' experience in valuation of properties in Hong Kong and China. Mr. Chan has been admitted to the Hong Kong Institute of Surveyors' approved List of Property Valuers to undertake valuation for incorporation or reference in Listing Particulars and Circulars and valuation in connection with that takeovers and mergers.

SUMMARY OF VALUES

No.	Property	Market Value in existing state as of 30 June 2020 (RMB)
1. (Land Parcel A)	A land parcel held by Yufa Furniture located at Baishigang (local name), Jigang Cooperative Society, Hengling Village, Shitan Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC 廣州裕發家具有限公司所持有之位於中國廣東省廣州市增城區石灘鎮橫嶺村基 崗合作社白石崗(土名)的一塊土地	618,000,000
2. (Land Parcel B)	A land parcel held by Fuli Furniture located at Baishigang (local name), Jigang Cooperative Society, Hengling Village, Shitan Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC 廣州富利家具有限公司所持有之位於中國廣東省廣州市增城區石灘鎮橫嶺村基 崗合作社白石崗(土名)的一塊土地	965,000,000
Total:		1,583,000,000

VALUATION PARTICULARS

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 June 2020
1.	A land parcel held by Yufa Furniture located at Baishigang (local name), Jigang Cooperative Society, Hengling Village, Shitan Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC 廣州裕發家具有限公司所持有之位於中國廣東省廣州市增城區石灘鎮橫嶺村基崗合作社白石崗 (土名) 的一塊土地	The property is an industrial land parcel (known as Land Parcel A) with a site area of about 77,478.70 sq.m. After government's resumption of the land parcel, 68,645.25 sq.m. will change into residential use, while the use of the remaining 8,833.45 sq.m. will remain unchanged. The existing land use rights of the property have been granted for a term expiring in 23 April 2058 for industrial purposes.	As advised by the Company, the Property was vacant as of the valuation date.	RMB618,000,000

Notes:

- Pursuant to a State-owned Land Use Certificate (國有土地使用證), Zeng Guo Yong (2009) Zi Di No. B0500216, dated 20 January 2009, the land use rights of Land 2 of the Property with a site area of 77,478.70 square metres are held by Guangzhou Yufa Furniture Company Limited (廣州裕發家具有限公司) ("Yufa Furniture") for a term expiring on 23 April 2058 for industrial purposes.
- Pursuant to a four Realty Title Certificates (不動產權證), Yue Fang Di Quan Zi Di Nos. 661919-661922, the building ownership rights of the Property with a total gross floor area of 76,943.19 square metres are held by Yufa Furniture. As advised, these industrial buildings will be demolished after the land resumption process from the local government.
- Pursuant to the State-owned Land Use Rights Resumption Agreement (收回國有土地使用權協議), 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) ("Party A"), Guangzhou City Zengcheng District Land Development Reserve Centre (廣州市增城區土地開發儲備中心) ("Party B"), People's Government of Shitan Town, Zengcheng District of Guangzhou City (廣州市增城區石灘鎮人民政府) ("Party C") and Yufa Furniture ("Party D") dated 18 June 2020, Party A agreed to resume the Property from Party D and provide a compensation to Party D after Party A has successfully dispose the Property to the public through public auction. The salient details of the new planning conditions of the Property are as follows:

Land Use	Site Area (sq.m.)	Permitted Maximum GFA (sq.m.)	Permitted Gross Plot Ratio
Residential and Commercial Services	68,645.25	195,225	2.5197
Industrial	8,833.45	–	0.99 (existing)

Pursuant to the Land Resumption Agreement A, the Compensation payable to Yufa Furniture for Land Parcel A will be determined in accordance with the mechanism set out below:

1. The total Compensation for Land Parcel A shall be the sum of (1) the compensation for the part of Land Parcel A recognised as Modification Area (the “**Recognised Land Parcel A Area**”); and (2) the compensation for the part of Land Parcel A not recognised as Modification Area;
2. Compensation for the part of the Recognised Land Parcel A Area representing Gross Plot Ratio of 2.0 or lower (Formula A):

$$\frac{\text{Recognised Land Parcel A Area (i.e. 68,645.25 square metres)}}{\text{Total area of Land Parcel A resumed for consolidation and modification (i.e. 77,478.70 square metres)}} \times \frac{2.0}{\text{Gross Plot Ratio of Land Parcel A}} \times \text{Consideration determined by bidding at the public auction} \times 60\% \text{ (inclusive of the Compensation Bonus of 10\%)}$$

3. Compensation for the part of the Recognised Land Parcel A Area representing Gross Plot Ratio higher than 2.0 (Formula B):

$$\frac{\text{Recognised Land Parcel A Area (i.e. 68,645.25 square metres)}}{\text{Total area of Land Parcel A resumed for consolidation and modification (i.e. 77,478.70 square metres)}} \times \frac{\text{Gross Plot Ratio of Land Parcel A} - 2.0}{\text{Gross Plot Ratio of Land Parcel A}} \times \text{Consideration determined by bidding at the public auction} \times 10\%$$

4. The compensation for the part of Land Parcel A not recognised as Modification Area (i.e. 8,833.45 square metres) shall be calculated with reference to the market valuation of Land Parcel A based on its original use at the time when the modification project is approved (Formula C).

The compensation calculation with formulas are tabulated below:

Formula A: $68,645.25 \text{ sq.m.} \div 77,478.70 \text{ sq.m.} \times (2.00 \div 2.5197) \times \text{¥}1,390,300,000 \times 60\% = \text{¥}586,600,000$
(Note 1) (rounded to the nearest hundred thousand)

Formula B: $68,645.25 \text{ sq.m.} \div 77,478.70 \text{ sq.m.} \times (0.5197 \div 2.5197) \times \text{¥}1,390,300,000 \times 10\% = \text{¥}25,400,000$
(rounded to the nearest hundred thousand)

Formula C: $8,833.45 \text{ sq.m.} \times \text{¥}748 \text{ per sq.m.} \times 0.93 = \text{¥}6,100,000$ (Note 2) (rounded to the nearest hundred thousand)

Total Compensation = Formula A + Formula B + Formula C = ¥618,000,000 (rounded to the nearest million)

Note 1: The estimated consideration of RMB1,390,300,000 for Land Parcel A was negotiated by the parties on an arms’ length basis and will be determined with reference to a bidding process in respect of the public auction mentioned above. We based on the weighted average unit rate of RMB7,121.5/sq.m. as captioned in Note 7 on the next page, times the permitted max. GFA of 195,225 sq.m. come up to the result of RMB1,390,300,000 (rounded to the nearest hundred thousand).

Note 2: The market industrial unit rate of RMB748/sq.m. on site area was determined by market approach. The formula adopted is: $\text{Site Area} \times \text{Market industrial unit rate} \times [1 - (1 + r)^{-n}] \div [1 - (1 + r)^{-50}]$, $8,833.45 \text{ sq.m.} \times \text{¥}748 \times [1 - (1 + 5.13\%)^{-37.82}] \div [1 - (1 + 5.13\%)^{-50}] = 8,833.45 \text{ sq.m.} \times \text{¥}748 \times 0.93 = \text{RMB}6,100,000$ (rounded to nearest hundred thousand).

Where “r” is capitalization rate of 5.13% extracted from Guangzhou benchmark land price adjustment table published by Planning Bureau; “n” is the remaining land use term of 37.82 years, while the normal industrial land use term granted from the local government is 50 years.

Payment Terms

Upon completion of the transfer of Land Parcel A, the Planning Bureau shall inform Shitan Town Government in writing of the Compensation calculated in accordance with the Land Resumption Agreement A. Shitan Town Government shall then apply to the Land Reserve Centre (who would apply to the finance bureau on a district level) for funds to be utilized for payment of the Compensation for Land Resumption A.

Upon the satisfaction of all the conditions (i), (ii) and (iii) listed below, Shitan Town Government shall within three (3) months pay the Compensation for Land Resumption A (after retaining a contingency sum in view of leftover problems of Land Parcel A calculated by the area stated in the land certificate of Land Parcel A multiplied by RMB200,000 per Mou (畝) (the “Contingency Sum A”)) to a designated account of Yufa Furniture:

- (i) Yufa Furniture having delivered Land Parcel A to Shitan Town Government and signed a land delivery confirmation;
- (ii) Land Parcel A having been successfully transferred and a state-owned land use right transfer agreement having been entered into; and
- (iii) the soil and environmental investigation and assessment in respect of Land Parcel A having been completed and corresponding filing(s) having been obtained (if rectification and restoration of land is involved, the filings in respect of the restoration implementation plan and restoration effect assessment having been obtained).

The Contingency Sum A shall be settled and paid to a designated account of Yufa Furniture within one (1) year after all the conditions (i), (ii) and (iii) listed above are satisfied.

4. The Property is located near the urban area. It is about 10 minutes driving distance to Shitan Town center. It is surrounded by various residential developments and a few old industrial site remains in the vicinity.
5. Yufa Furniture is an indirect wholly-owned subsidiary of the Company.
6. The PRC legal opinion states, *inter alias*, that:
 - a. As of 7 July 2020, the land use rights of the property under the name of Yufa Furniture has been registered for land cancellation.
 - b. As of 7 July 2020, the building ownership rights of the property under the name of Yufa Furniture has been registered for the cancellation of ownership. As of the date of the provided PRC legal opinion, Yufa Furniture no longer holds the property.
 - c. 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), Guangzhou City Zengcheng District Land Development Reserve Centre (廣州市增城區土地開發儲備中心), 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 Yufa Furniture are all legally qualified to sign the Agreement captioned on Note 3 above on the Resumption of State-owned Land Use Rights of the property.
 - d. The agreement captioned on Note 3 above means that all parties to the transaction signed on an equal and voluntary basis. It is the true intention of the parties to the transaction that the signing is true. The agreement is legal, true and valid.
 - e. The final compensation for the land parcel of the property still needs to be determined by the final transaction price, gross plot ratio and valuation of market price.
7. Our valuation has been made on the following basis and analysis:

In the valuation of the property, market approach was adopted as per our general practice. To determine the land value, we have made reference to various recent sales prices of residential land parcels as well as the industrial land parcels within the vicinity.

To determine the Public Auction Land Sale Price, the land sales comparable are selected as they have characteristics comparable to the subject Property. The price range of the comparables from RMB6,874 to RMB7,185 per square metre on accommodation area. The unit rate assumed by us is consistent with the sales prices of relevant comparables after due adjustments. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in transaction time, location and land tenure. In the course of our valuation, we have adopted a weighted average unit rate of RMB7,121.5 per square metre on accommodation area.

To determine the market industrial unit rate, the land sales comparable are selected as they have characteristics comparable to the subject Property. The price range of the comparables from RMB638 to RMB855 per square metre on site area. The unit rate assumed by us is consistent with the sales prices of relevant comparables after due adjustments. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in transaction time, location and land tenure. In the course of our valuation, we have adopted average unit rate of RMB748 per square metre on site area.

VALUATION PARTICULARS

No.	Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 30 June 2020
2.	A land parcel held by Fuli Furniture located at Baishigang (local name), Jigang Cooperative Society, Hengling Village, Shitan Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC 廣州富利家具有限公司所持有之位於中國廣東省廣州市增城區石灘鎮橫嶺村基崗合作社白石崗 (土名)的一塊土地	The property is an industrial land parcel (known as Land Parcel B) with a site area of about 110,097.10 sq.m. After government's resumption of the land parcel, 105,053.57 sq.m. will change into residential use, while the use of the remaining 5,043.53 sq.m. will remain unchanged. The existing land use rights of the property have been granted for a term expiring in 23 April 2058 for industrial purposes.	As advised by the Company, the Property was vacant as of the valuation date.	RMB965,000,000

Notes:

- Pursuant to a State-owned Land Use Certificate (國有土地使用證), Zeng Guo Yong (2009) Zi Di No. B0500215, dated 20 January 2009, the land use rights of Land 1 of the Property with a site area of 110,097.10 square metres are held by Guangzhou Fuli Furniture Company Limited (廣州富利家具有限公司) ("Fuli Furniture") for a term expiring on 23 April 2058 for industrial purposes.
- Pursuant to a four Realty Title Certificates (不動產權證), Yue (2019) Guangzhou City Bu Dong Chan Quan Zheng Nos. 10213215, 10213216, 10213218 and 10213220, the building ownership rights of the Property with a total gross floor area of 92,609.20 square metres are held by Fuli Furniture. As advised, these industrial buildings will be demolished after the land resumption process from the local government.
- Pursuant to the State-owned Land Use Rights Resumption Agreement (收回國有土地使用權協議), 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) ("Party A"), Guangzhou City Zengcheng District Land Development Reserve Centre (廣州市增城區土地開發儲備中心) ("Party B"), People's Government of Shitan Town, Zengcheng District of Guangzhou City (廣州市增城區石灘鎮人民政府) ("Party C") and Fuli Furniture ("Party D") dated 18 June 2020, Party A agreed to resume the Property from Party D and provide a compensation to Party D after Party A has successfully dispose the Property to the public through public auction. The salient details of the new planning conditions of the Property are as follows:

Land Use	Site Area (sq.m.)	Permitted Maximum GFA (sq.m.)	Permitted Gross Plot Ratio
Residential and Commercial Services	105,053.57	314,010	2.8521
Industrial	5,043.53	–	0.84 (existing)

Pursuant to the Land Resumption Agreement B, the Compensation payable to Fuli Furniture:

1. The total Compensation for Land Parcel B shall be the sum of (1) the Compensation for Land Parcel B for the part of Land Parcel B recognised as Modification Area (the “**Recognised Land Parcel B Area**”); and (2) the compensation for the part of Land Parcel B not recognised as Modification Area;
2. Compensation for the part of the Recognised Land Parcel B Area representing Gross Plot Ratio of 2.0 or lower (Formula A):

$$\frac{\text{Recognised Land Parcel B Area (i.e. 105,053.57 square metres)}}{\text{Total area of Land Parcel B resumed for consolidation and modification (i.e. 110,097.10 square metres)}} \times \frac{2.0}{\text{Gross Plot Ratio of Land Parcel B}} \times \text{Consideration determined by bidding at the public auction} \times 60\% \text{ (inclusive of the Compensation Bonus of 10\%)}$$

3. Compensation for the part of the Recognised Land Parcel B Area representing Gross Plot Ratio higher than 2.0 (Formula B):

$$\frac{\text{Recognised Land Parcel B Area (i.e. 105,053.57 square metres)}}{\text{Total area of Land Parcel B resumed for consolidation and modification (i.e. 110,097.10 square metres)}} \times \frac{\text{Gross Plot Ratio of Land Parcel B} - 2.0}{\text{Gross Plot Ratio of Land Parcel B}} \times \text{Consideration determined by bidding at the public auction} \times 10\%$$

4. The compensation for the part of Land Parcel B not recognised as Modification Area (i.e. 5,043.53 square metres) shall be calculated with reference to the market valuation of Land Parcel B based on its original use at the time when the modification project is approved (Formula C).

The compensation calculation with formulas are tabulated below:

Formula A: $105,053.57 \text{ sq.m.} \div 110,097.10 \text{ sq.m.} \times (2.00 \div 2.8521) \times \text{¥}2,236,200,000 \times 60\% = \text{¥}897,800,000$
(Note 1) (rounded to the nearest hundred thousand)

Formula B: $105,053.57 \text{ sq.m.} \div 110,097.10 \text{ sq.m.} \times (0.8521 \div 2.8521) \times \text{¥}2,236,200,000 \times 10\% = \text{¥}63,700,000$
(rounded to the nearest hundred thousand)

Formula C: $5,043.53 \text{ sq.m.} \times \text{¥}748 \text{ per sq.m.} \times 0.93 = \text{¥}3,500,000$ (Note 2) (rounded to the nearest hundred thousand)

Total Compensation = Formula A + Formula B + Formula C = ¥ 965,000,000 (rounded to the nearest million)

Note 1: The estimated consideration of RMB2,236,200,000 for Land Parcel B was negotiated by the parties on an arms’ length basis and will be determined with reference to a bidding process in respect of the public auction mentioned above. We based on the weighted average unit rate of RMB7,121.5/sq.m. as captioned in Note 7 on the next page, times the permitted max. GFA of 314,010 sq.m. come up to the result of RMB2,236,200,000 (rounded to the nearest hundred thousand).

Note 2: The market industrial unit rate of RMB748/sq.m. on site area was determined by market approach. The formula adopted is: $\text{Site Area} \times \text{Market industrial unit rate} \times [1 - (1 + r)^{-n}] \div [1 - (1 + r)^{-50}]$, $5,043.53 \text{ sq.m.} \times \text{¥}748 \times [1 - (1 + 5.13\%)^{-37.82}] \div [1 - (1 + 5.13\%)^{-50}] = 5,043.53 \text{ sq.m.} \times \text{¥}748 \times 0.93 = \text{RMB}3,500,000$ (rounded to nearest hundred thousand).

Where “r” is capitalization rate of 5.13% extracted from Guangzhou benchmark land price adjustment table published by Planning Bureau; “n” is the remaining land use term of 37.82 years, while the normal industrial land use term granted from the local government is 50 years.

Payment Terms

Upon completion of the transfer of Land Parcel B, the Planning Bureau shall inform Shitan Town Government in writing of the Compensation calculated in accordance with the Land Resumption Agreement B. Shitan Town Government shall then apply to the Land Reserve Centre (who would apply to the finance bureau on a district level) for funds to be utilized for payment of the Compensation for Land Resumption B.

Upon the satisfaction of all the conditions (i), (ii) and (iii) listed below, the Shitan Town Government shall within three (3) months pay the Compensation for Land Resumption B (after retaining a contingency sum in view of leftover problems of Land Parcel B calculated by the area stated in the land certificate of Land Parcel B multiplied by RMB200,000 per Mou (畝) (the “**Contingency Sum B**”)) to a designated account of Fuli Furniture:

- (i) Fuli Furniture having delivered Land Parcel B to the Shitan Town Government and signed a land delivery confirmation;
- (ii) Land Parcel B having been successfully transferred and a state-owned land use right transfer agreement having been entered into; and
- (iii) the soil and environmental investigation and assessment in respect of Land Parcel B having been completed and corresponding filings having been obtained (if rectification and restoration of land is involved, the filings in respect of the restoration implementation plan and restoration effect assessment having been obtained).

The Contingency Sum B shall be settled and paid to a designated account of Fuli Furniture within one (1) year after all the conditions (i), (ii) and (iii) listed above are satisfied.

4. The Property is located near the urban area. It is about 10 minutes driving distance to Shitan Town center. It is surrounded by various residential developments and a few old industrial site remains in the vicinity.
5. Fuli Furniture is an indirect wholly-owned subsidiary of the Company.
6. The PRC legal opinion states, *inter alias*, that:
 - a. As of 7 July 2020, the land use rights of the property under the name of Fuli Furniture has been registered for land cancellation.
 - b. As of 7 July 2020, the building ownership rights of the property under the name of Fuli Furniture has been registered for the cancellation of ownership. As of the date of the provided PRC legal opinion, Fuli Furniture no longer holds the property.
 - c. 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), Guangzhou City Zengcheng District Land Development Reserve Centre (廣州市增城區土地開發儲備中心), 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 Fuli Furniture are all legally qualified to sign the Agreement captioned on Note 3 above on the Resumption of State-owned Land Use Rights of the property.
 - d. The agreement captioned on Note 3 above means that all parties to the transaction signed on an equal and voluntary basis. It is the true intention of the parties to the transaction that the signing is true. The agreement is legal, true and valid.
 - e. The final compensation for the land parcel of the property still needs to be determined by the final transaction price, gross plot ratio and valuation of market price.
7. Our valuation has been made on the following basis and analysis:

In the valuation of the property, market approach was adopted as per our general practice. To determine the land value, we have made reference to various recent sales prices of residential land parcels as well as the industrial land parcels within the vicinity.

To determine the Public Auction Land Sale Price, the land sales comparable are selected as they have characteristics comparable to the subject Property. The price range of the comparables from RMB6,874 to RMB7,185 per square metre on accommodation area. The unit rate assumed by us is consistent with the sales prices of relevant comparables after due adjustments. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in transaction time, location and land tenure. In the course of our valuation, we have adopted a weighted average unit rate of RMB7,121.5 per square metre on accommodation area.

To determine the market industrial unit rate, the land sales comparable are selected as they have characteristics comparable to the subject Property. The price range of the comparables from RMB638 to RMB855 per square metre on site area. The unit rate assumed by us is consistent with the sales prices of relevant comparables after due adjustments. Due adjustments to the unit rates of those sales prices have been made to reflect to the difference in transaction time, location and land tenure. In the course of our valuation, we have adopted average unit rate of RMB748 per square metre on site area.

(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' 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 a 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 Shareholders	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%
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 (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司) 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 (having the meaning ascribed to it under the Takeovers Code). 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, so far as the Directors are aware, 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;
- (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 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 (the “**Product Sales Agreement**”);

- (d) 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;
- (e) 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.* (中建三局第一建设工程有限責任公司) 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:

Name	Qualification
Duff & Phelps	Independent professional valuer

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or opinion (as the case may be) in the form and context in which it is included and all references to its name in the form and context in which they respectively appear.

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, the date to which the latest published audited consolidated financial

* For identification purpose only

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.

(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 of 14 days from the date of this circular:

1. this circular;
2. the memorandum of association 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 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 valuation report as set out in Appendix II to this circular;
7. the written consents referred to in the paragraph headed “Experts’ Qualifications and Consents” in this appendix; and
8. the material contracts referred to in the paragraph headed “Material Contracts” in this appendix.