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## **ROYALE HOME HOLDINGS LIMITED**

**皇朝家居控股有限公司\***

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1198)**

### **(1) TERMINATION OF DISCLOSEABLE TRANSACTION IN RELATION TO PROVISION OF FINANCIAL ASSISTANCE AND (2) DISCLOSEABLE TRANSACTION PLEDGE AGREEMENT**

#### **TERMINATION OF THE PING AN PLEDGE AGREEMENT**

Reference is made to the announcement of the Company dated 19 August 2021 in relation to the Ping An Pledge Agreement and the Ping An Pledge provided by Wanlibao to secure the Ping An Loan.

On 29 September 2021, due to the termination of the Ping An Loan Agreement, Wanlibao and Ping An Trust entered into the Termination Agreement in connection with the Ping An Pledge Agreement, pursuant to which the Ping An Pledge Agreement was terminated with effect from 29 September 2021.

#### **PLEDGE AGREEMENT**

On 29 September 2021, the JV entered into the Loan Agreement with the Lender, pursuant to which the Lender has agreed to provide the Loan in the principal amount of RMB800 million to the JV at the annual interest rate determined by the one-year loan prime rate promulgated by the National Interbank Funding Center on the day immediately preceding the effective date of an advance under the Loan Agreement plus 0.0155%. All amounts borrowed by the JV under the Loan shall be used for the development and construction of the Project. The Loan may be drawn in part or whole, but all advances drawn under the Loan Agreement shall not be repaid later than the day falling three years after the first drawdown date.

The Loan is secured by, among other things:

- (i) a guarantee provided by Ganglong (China) to the Lender in respect of the repayment of the entirety of the Loan and the performance of the obligations thereunder;
- (ii) a guarantee provided by Science City to the Lender in respect of the repayment of the maximum Loan amount of RMB320 million, representing 40% of the principal amount of the Loan, and the performance of the obligations thereunder;
- (iii) a guarantee provided by Huizhou Puyu to the Lender in respect of the repayment of the entirety of the Loan and the performance of the obligations thereunder;
- (iv) a charge over the construction in progress on the Target Land Parcel provided by the JV to the Lender;
- (v) the Pledge provided by Wanlibao for the benefit of the Lender over the 40% equity interests in the JV held by Wanlibao to secure the repayment of the maximum Loan amount of RMB320 million, representing 40% of the principal amount of the Loan, and the performance of the obligations thereunder; and
- (vi) a share pledge provided by Jiangsu Ganglong for the benefit of the Lender over the 60% equity interests in the JV held by Jiangsu Ganglong to secure the repayment of the entirety of the Loan and the performance of the obligations thereunder.

On 29 September 2021, Wanlibao and the Lender entered into the Pledge Agreement in connection with the Loan Agreement, pursuant to which Wanlibao agreed to pledge the Pledged Assets in favour of the Lender as security for the repayment of the maximum Loan amount of RMB320 million, representing 40% of the principal amount of the Loan, and the performance of the obligations thereunder.

#### **LISTING RULES IMPLICATIONS**

As one or more of the percentage ratios under the Listing Rules in respect of the Pledge are more than 5% but all are less than 25%, the Pledge constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Pledge Agreement and the Pledge contemplated thereunder are subject to reporting and announcement requirements, but are exempt from the shareholders' approval and circular requirements under Chapter 14 of the Listing Rules.

## **TERMINATION OF THE PING AN PLEDGE AGREEMENT**

Reference is made to the announcement of the Company dated 19 August 2021 in relation to the Ping An Pledge Agreement and the Ping An Pledge provided by Wanlibao to secure the Ping An Loan.

The Board announces that on 29 September 2021, due to the termination of the Ping An Loan Agreement, Wanlibao and Ping An Trust entered into the Termination Agreement in connection with the Ping An Pledge Agreement, pursuant to which the Ping An Pledge Agreement was terminated with effect from 29 September 2021.

Principal terms of the Termination Agreement are set out below:

### **Date**

29 September 2021 (after trading hours)

### **Parties**

1. Ping An Trust
2. Wanlibao

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, Ping An Trust and its ultimate beneficial owner(s) are Independent Third Parties.

### **Termination of the Ping An Pledge**

Pursuant to the Termination Agreement, due to the termination of the Ping An Loan Agreement, Ping An Trust and Wanlibao mutually agreed to terminate the Ping An Pledge Agreement with effect from 29 September 2021. Under the Termination Agreement, the parties have completed the procedures in relation to the release of the Ping An Pledge, Wanlibao shall cease to be subject to any obligations specified in the Ping An Pledge Agreement and each party shall have no claim for breach of contract or damages against each other.

### **Termination of the Ping An Loan and relevant arrangements**

On 29 September 2021, the JV and Ping An Trust have also agreed to terminate the Ping An Loan Agreement and all relevant arrangements with effect from 29 September 2021. Accordingly, the (i) guarantees provided by each of Ganglong (China) and Science City to Ping An Trust on a several basis; (ii) the first mortgage over the construction in progress on the Target Land Parcel provided by the JV for the benefit of Ping An Trust; and (iii) the

share pledge provided by Jiangsu Ganglong for the benefit of Ping An Trust over the 60% equity interests in the JV held by Jiangsu Ganglong, were also terminated with effect from 29 September 2021.

## **PLEDGE AGREEMENT**

### **Background**

On 23 September 2021, the JV entered into the Loan Agreement with the Lender, pursuant to which the Lender has agreed to provide the Loan in the principal amount of RMB800 million to the JV at the annual interest rate determined by the one-year loan prime rate promulgated by the National Interbank Funding Center on the day immediately preceding the effective date of an advance under the Loan Agreement plus 0.0155%. All amounts borrowed by the JV under the Loan shall be used for the development and construction of the project. The Loan may be drawn in part or whole, but all advances drawn under the Loan Agreement shall not be repaid later than the day falling three years after the first drawdown date.

The Loan is secured by, among other things:

- (i) a guarantee provided by Ganglong (China) to the Lender in respect of the repayment of the entirety of the Loan and the performance of the obligations thereunder;
- (ii) a guarantee provided by Science City to the Lender in respect of the repayment of the maximum Loan amount of RMB320 million, representing 40% of the principal amount of the Loan, and the performance of the obligations thereunder;
- (iii) a guarantee provided by Huizhou Puyu to the Lender in respect of the repayment of the entirety of the Loan and the performance of the obligations thereunder;
- (iv) a charge over the construction in progress on the Target Land Parcel provided by the JV to the Lender;
- (v) the Pledge provided by Wanlibao for the benefit of the Lender over the 40% equity interests in the JV held by Wanlibao to secure the repayment of the maximum Loan amount of RMB320 million, representing 40% of the principal amount of the Loan, and the performance of the obligations thereunder; and
- (vi) a share pledge provided by Jiangsu Ganglong for the benefit of the Lender over the 60% equity interests in the JV held by Jiangsu Ganglong to secure the repayment of the entirety of the Loan and the performance of the obligations thereunder.

The Board announces that on 29 September 2021, Wanlibao and the Lender entered into the Pledge Agreement in connection with the Loan Agreement, pursuant to which Wanlibao agreed to pledge the Pledged Assets in favour of the Lender as security for the repayment of the maximum Loan amount of RMB320 million, representing 40% of the principal amount of the Loan, and the performance of the obligations thereunder.

Principal terms of the Pledge Agreement are set out below:

**Date**

29 September 2021 (after trading hours)

**Parties**

1. the Lender
2. Wanlibao

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Lender and its ultimate beneficial owner(s) are Independent Third Parties.

**Subject Matter**

Pursuant to the Pledge Agreement, Wanlibao agreed to pledge the Pledged Assets, being all of its equity interest in the JV (i.e. 40% of the equity interest in the JV) as security for the repayment of the maximum Loan amount of RMB320 million, representing 40% of the principal amount of the Loan, and the performance of the obligations thereunder.

The Group agreed to provide a pro-rata share pledge in respect of 40% of the principal amount of the Loan such that the liabilities arising from the Loan will only be borne by the Group in proportion to its shareholding in the JV.

**Delivery of Pledged Assets**

Within five days after the date of the Pledge Agreement, Wanlibao shall deliver the Pledged Assets or title document(s) to the Lender or its designated agent, after which the Lender or its designated agent will issue a proof of delivery to Wanlibao upon inspection with satisfactory results.

**Registration Procedures**

Wanlibao and the Lender shall complete registration procedures in relation to the Pledge (if required under relevant laws) within five days after the date of the Pledge Agreement.

## **Enforcement**

The Lender may enforce the Pledge if any of the following events occur:

- (i) the JV fails to make payment for the Loan upon maturity (including any acceleration of the maturity date);
- (ii) except when the Lender is at fault, there occurs any event whereby the Pledged Assets may suffer from destruction or a significant depreciation of value, such that the Lender's rights may be threatened, and Wanlibao fails to provide additional security;
- (iii) where the value of the Pledged Assets falls below the prescribed value in the Pledge Agreement (if any) which would trigger an enforcement event or where Wanlibao fails to provide additional security;
- (iv) application has been made against Wanlibao or the JV for liquidation, suspension, deregistration, winding-up, revocation of business license and cancellation; and
- (v) such other circumstances as specified under laws and regulations.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE PLEDGE AGREEMENT**

As at the date of this announcement, the JV is in the process of constructing and developing the project in respect of the Target Land Parcel, after the completion of which the project is expected to bring return to the holders of equity interest in the JV. As at 30 June 2021, the unaudited net asset value of the JV is approximately RMB1.98 billion.

The JV is held as to 40% of its equity interest by the Group. The principal activity of the JV is property development, including the development and construction of the Project in respect of the Target Land Parcel. The Lender is a branch of ICBC, a leading commercial bank in the PRC.

The Target Land Parcel is located in Zengcheng District, a district with leading economic indicators in Guangzhou. The Target Land Parcel is of considerable scale and may be developed for commercial and residential uses. Jiangsu Ganglong is an indirect wholly-owned subsidiary of Ganglong, a listed company in Hong Kong and an established property developer in the Yangtze River Delta Region with extensive experience in the development and sales of properties predominantly for residential use mixed with accompanying ancillary facilities, such as retail units, carparks and ancillary areas. With the Group's familiarity with and long-established presence in the Zengcheng District and its state-owned background, and also taking into account the cooperation with Ganglong and its expertise and experience in property development projects; it is expected that the Parties will exert their respective advantages and contribute to the successful development of the Project.

The Loan will be applied solely towards the development and construction of the Project. As such, the provision of the Pledge by the Group would assist the JV in obtaining financings at reasonable terms to support the continuous development of the Project. The Group is entitled to a pro-rata share of the distribution and return arising from its investment in the JV, and therefore the Pledge would ultimately benefit the Group as an investor which holds 40% of the equity interest in the JV.

The Pledge provided by the Group to the Lender will only be used as security for the repayment of the maximum Loan amount of RMB320 million, representing 40% of the principal amount of the Loan, and the performance of the obligations thereunder; which is proportionate to the 40% equity interest held by Wanlibao in the JV. The Company considers the risks arising from the Loan are fairly and reasonably shared by the Group as a non-controlling shareholder of the JV.

Taking into account the above factors, the Directors (including all independent non-executive Directors) are of the view that the terms of the Pledge Agreement are fair and reasonable, on normal commercial terms or better (which were determined after arm's length negotiation) and in the interests of the Company and the Shareholders as a whole.

## **INFORMATION ON PARTIES**

### **Information on the Company and the Group**

The Company is incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the manufacture and sale of furniture and trading of commodities.

### **Information on Ping An Trust**

Ping An Trust is a company established in the PRC with limited liability and is principally engaged in trust services, investment fund operations, restructuring of assets, mergers and acquisitions, Project financings, treasury and financial advisory and securities underwriting. It is a subsidiary of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), the H shares and A shares of which are listed on the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318), respectively.

### **Information on the Lender**

The Lender is a branch of Industrial and Commercial Bank of China Limited (“ICBC”), which is a joint stock limited company incorporated in the PRC with limited liability, the H shares and A shares of which are listed on the Stock Exchange (stock code: 1398) and the Shanghai Stock Exchange (stock code: 601398), respectively. ICBC is principally engaged in corporate and personal financing business, capital business, investment banking and provision of assets management, trust, finance lease and other financial services.

## **Information on the JV**

The JV is a company established in the PRC with limited liability and a joint venture entity the equity interests in which is held as to 60% and 40% by Jiangsu Ganglong and Wanlibao, respectively. It is principally engaged in the development of the Project in respect of the Target Land Parcel.

## **Information on Wanlibao**

Wanlibao is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

## **LISTING RULES IMPLICATIONS**

As one or more of the percentage ratios under the Listing Rules in respect of the Pledge are more than 5% but all are less than 25%, the Pledge constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules. Therefore, the Pledge Agreement and the Pledge contemplated thereunder are subject to reporting and announcement requirements, but are exempt from the shareholders' approval and circular requirements under Chapter 14 of the Listing Rules.

## **DEFINITIONS**

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

|                           |   |
|---------------------------|---|
| “Board”                   | the board of Directors;   |
| “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;  |
| “connected person(s)”     | has the meaning ascribed to it in the Listing Rules;  |
| “controlling shareholder” | has the meaning ascribed to it in the Listing Rules;  |
| “Directors”               | the directors of the Company;   |
| “Ganglong”                | Ganglong China Property Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6968), being an established property developer in the Yangtze River Delta Region focusing on the development and sales of properties predominantly for residential use mixed with accompanying ancillary facilities, such as retail units, carparks and ancillary areas; |



|                                |   |
|--------------------------------|---|
| “Ganglong (China)”             | Ganglong (China) Property Group Co., Ltd.* (港龍(中國)地產集團有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Ganglong;   |
| “Group”                        | the Company and its subsidiaries;   |
| “HK\$”                         | Hong Kong dollar, the lawful currency of the Hong Kong;   |
| “Hong Kong”                    | the Hong Kong Special Administrative Region of the People’s Republic of China;  |
| “Huizhou Gangjie”              | Huizhou Gangjie Real Estate Co., Ltd.* (惠州市港傑置業有限公司), a company established in the PRC with limited liability and a subsidiary of Ganglong, being the initial joint venture partner under the JV Agreement. Huizhou Gangjie has transferred all the equity interest in the JV held by it (i.e. 60% of the equity interest in the JV) to Jiangsu Ganglong as at the date of this announcement; |
| “Huizhou Puyu”                 | Huizhou Puyu Real Estate Development Co., Ltd.* (惠州市璞玉房地產開發有限公司), a company established in the PRC with limited liability and a subsidiary of Jiangsu Ganglong;   |
| “Independent Third Party(ies)” | persons(s) who is(are) independent of and not connected with the Company or its connected persons;  |
| “Jiangsu Ganglong”             | Jiangsu Ganglong Huayang Real Estate Co., Ltd.* (江蘇港龍華揚置業有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Ganglong. It is the joint venture partner in respect of the JV and the owner of 60% of the equity interest in the JV as at the date of this announcement;  |
| “JV”                           | Guangzhou Gangke Real Estate Co., Ltd.* (廣州港科置業有限公司), a company established in the PRC with limited liability, and a joint venture entity formed by Wanlibao and Huizhou Gangjie in accordance with the terms and conditions of the JV Agreement. The JV is held as to 40% and 60% of its equity interest by Wanlibao and Jiangsu Ganglong as at the date of this announcement;               |
| “JV Agreement”                 | the joint venture agreement dated 27 October 2020 entered into between Wanlibao and Huizhou Gangjie in relation to the formation of the JV;   |

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|----------------------------|--|
| “Lender”                   | Industrial and Commercial Bank of China Limited, Xintang, Guangzhou Branch (中國工商銀行股份有限公司廣州新塘支行). Industrial and Commercial Bank of China Limited is a joint stock limited company incorporated in the PRC with limited liability, the H shares and A shares of which are listed on the Stock Exchange (stock code: 1398) and the Shanghai Stock Exchange (stock code: 601398), respectively; |
| “Listing Rules”            | the Rules Governing the Listing of Securities on the Stock Exchange;   |
| “Loan”                     | the loan in the principal amount of up to RMB800 million provided by the Lender to the JV pursuant to the Loan Agreement;  |
| “Loan Agreement”           | the loan agreement dated 23 September 2021 entered into between the JV and the Lender, pursuant to which the Lender has agreed to provide the Loan to the JV;  |
| “Parties”                  | Wanlibao and Jiangsu Ganglong;   |
| “Ping An Loan”             | the loan in the principal amount of up to RMB1.5 billion provided by Ping An Trust as trustee out of trust funds to the JV pursuant to the Ping An Loan Agreement;   |
| “Ping An Loan Agreement”   | the loan agreement dated 2 August 2021 entered into between the JV and Ping An Trust, pursuant to which Ping An Trust shall provide the Ping An Loan to the JV;  |
| “Ping An Pledge”           | the pledge over 40% of the equity interest in the JV held by Wanlibao provided by Wanlibao in favour of Ping An Trust pursuant to the terms of the Ping An Pledge Agreement to secure the repayment of 40% of the principal amount of the Ping An Loan, and the performance of the obligations thereunder;   |
| “Ping An Pledge Agreement” | the pledge agreement dated 19 August 2021 entered into between Wanlibao as pledgor and Ping An Trust as pledgee in relation to the Ping An Pledge;   |

|                    |  |
|--------------------|--|
| “Ping An Trust”    | Ping An Trust Co., Ltd.* (平安信託有限責任公司), a company established in the PRC with limited liability and a subsidiary of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), the H shares and A shares of which are listed on the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318), respectively;       |
| “Pledge”           | the pledge over 40% of the equity interest in the JV held by Wanlibao provided by Wanlibao in favour of the Lender pursuant to the terms of the Pledge Agreement to secure the repayment of the maximum Loan amount of RMB320 million, representing 40% of the principal amount of the Loan, and the performance of the obligations thereunder;          |
| “Pledge Agreement” | the pledge agreement dated 29 September 2021 entered into between Wanlibao as pledgor and the Lender as pledgee in relation to the Pledge;   |
| “Pledged Assets”   | 40% of the equity interest in the JV, being all the equity interest in the JV held by Wanlibao as at the date of this announcement;  |
| “PRC”              | the People’s Republic of China;  |
| “Project”          | the project in respect of the construction and development of the Target Land Parcel;  |
| “RMB”              | Renminbi, the lawful currency of the PRC;  |
| “Science City”     | Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司), a company established in the PRC with limited liability on 21 August 1984 and a controlling shareholder of the Company. The ultimate beneficial owner of Science City is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會); |
| “Share(s)”         | ordinary share(s) of HK\$0.10 each in the share capital of the Company;  |
| “Shareholders”     | holders of the Shares;   |
| “Stock Exchange”   | The Stock Exchange of Hong Kong Limited;   |

|                         |   |
|-------------------------|---|
| “Target Land Parcel”    | a parcel of land situated at Hengling Village, Shitan Town, Zengcheng District, Guangzhou* (廣州市增城區石灘鎮橫嶺村) of residential (and commercial) uses with a total land area of approximately 196,435.11 square metres;  |
| “Termination Agreement” | a termination agreement dated 29 September 2021 entered into between Ping An Trust and Wanlibao, pursuant to which the Ping An Pledge Agreement was terminated with effect from 29 September 2021;  |
| “Wanlibao”              | Guangzhou Wanlibao Industries Holdings Co., Ltd.* (廣州萬利寶實業控股有限公司) (formerly known as Guangzhou Wanlibao Investment Co., Ltd.* (廣州萬利寶投資有限公司)), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company; and |
| “%”                     | per cent.   |

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

Hong Kong, 29 September 2021

*As at the date of this announcement, the Board comprises two executive directors, namely, Mr. Tse Kam Pang (Chairman) and Mr. Yang Jun; four non-executive directors, namely, Mr. Wu Zhongming, Mr. Wu Dingliang, Ms. Qin You and Mr. Chen Yisheng; and three independent non-executive directors, namely, Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin.*

\* *for identification purpose only*