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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)

DISCLOSEABLE AND CONNECTED TRANSACTION ACQUISITION OF EQUITY INTEREST IN THE TARGET COMPANY

THE ACQUISITION

On 18 March 2022 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, 1.5% of the equity interest in the Target Company (in relation to which the corresponding registered capital of the Target Company is RMB15.0 million), at the cash consideration of RMB19.5 million.

As at the date of this announcement, the equity interest in the Target Company is owned as to 23.5% by the Purchaser, 1.5% by the Vendor and 75% by Science City, respectively. Upon Completion, the Purchaser will own 25% of the equity interest in the Target Company and the Vendor will cease to hold any equity interest in the Target Company.

LISTING RULES IMPLICATIONS

As the Acquisition is proposed to be made by the Group within a 12-month period after the consummation of or is otherwise related to the Investments, (i) in respect of the notifiable transaction requirements under Chapter 14 of the Listing Rules, the Investments and the Acquisition are aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules; and (ii) in respect of the connected transaction requirements under Chapter 14A of the Listing Rules, the Capital Injections and the Acquisition are aggregated as a series of transactions pursuant to Rule 14A.81 of the Listing Rules, as the Initial Acquisition, as a discloseable and connected transaction, has been approved by the Shareholders at the extraordinary general meeting of the Company held on 25 September 2020 in compliance with Chapter 14A of the Listing Rules.

As at the date of this announcement, Science City (1) holds 75% of the equity interest in the Target Company; and (2) is through SCHK and parties acting in concert with it, interested in an aggregate of 1,945,391,280 Shares (representing approximately 74.86% of the issued share capital of the Company). Hence, Science City is a controlling shareholder of the Company and both the Target Company and Science City are connected persons of the Company.

As one or more of the applicable percentage ratios in respect of the Acquisition, (i) as a notifiable transaction, on an aggregate basis, are more than 5% but all are less than 25%; and (ii) as a connected transaction, on an aggregate basis, are more than 0.1% but all are less than 5%; the Acquisition constitutes a discloseable and connected transaction of the Company, and is subject to reporting and announcement requirements, but is exempted from circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

Reference is made to the announcements of the Company dated 28 July 2020, 23 December 2020 and 10 December 2021 and the circular of the Company dated 4 September 2020 in relation to the acquisition of 20% equity interest in the Target Company by the Purchaser (the “**Initial Acquisition**”) and the subsequent capital injections in the total amount of RMB175.0 million into the Target Company (the “**Capital Injections**”) (collectively, the “**Investments**”).

THE ACQUISITION

The Board is pleased to announce that on 18 March 2022 (after trading hours), the Purchaser, an indirect wholly-owned subsidiary of the Company, entered into the Acquisition Agreement with the Vendor, pursuant to which the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, 1.5% of the equity interest in the Target Company (in relation to which the corresponding registered capital of the Target Company is RMB15.0 million), at the cash consideration of RMB19.5 million.

Summarised below are the principal terms of the Acquisition Agreement:

Date

18 March 2022 (after trading hours)

Parties

1. Royal Finance Lease Limited (皇朝融資租賃有限公司), as the Purchaser; and
2. China Finance Leasing Limited (中國金融租賃有限公司), as the Vendor.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiry, the Vendor and its ultimate beneficial owner(s) are third parties independent of and not connected with the Company and its connected persons.

The Target Company is a non-wholly-owned subsidiary of Science City, which in turn is a controlling shareholder of the Company. Therefore, both the Target Company and Science City are connected persons of the Company.

Subject matter

Pursuant to the Acquisition Agreement, the Purchaser conditionally agreed to acquire, and the Vendor conditionally agreed to sell, 1.5% of the equity interest in the Target Company at a consideration of RMB19.5 million.

As at the date of this announcement, the equity interest in the Target Company is owned as to 23.5% by the Purchaser, 1.5% by the Vendor and 75% by Science City, respectively. Upon Completion, the Purchaser will own 25% of the equity interest in the Target Company and the Vendor will cease to hold any equity interest in the Target Company.

Consideration

The consideration for the Acquisition is RMB19.5 million. It is expected that the consideration for the Acquisition will be funded by internal resources and/or bank and other borrowings of the Group.

The consideration for the Acquisition was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the valuation of 1.5% equity interest in the Target Company in the amount of approximately RMB19.8 million contained in a valuation report prepared by an independent professional valuer using market approach, the operations and financial conditions of the Target Company, the future business prospects of the Target Company and the reasons and benefits set out in the section headed "Reasons for and benefits of the Acquisition" in this announcement.

Payment terms

The consideration for the Acquisition is payable in cash by the Purchaser to the Vendor within 10 business days from the date of Completion.

The payment of the consideration for the Acquisition by the Purchaser is subject to the conditions set out as follows:

- (a) the Purchaser having received the Registration Documents and such Registration Documents remaining valid and effective;

- (b) the industrial and commercial registration having been completed and the new business license having been obtained by the Target Company;
- (c) the representations, warranties and undertakings given by the Vendor under the Acquisition Agreement remaining true, complete and effective;
- (d) there being no material adverse change to the conditions of the Target Company, which shall be determined at the absolute discretion of the Purchaser; and
- (e) the Vendor having performed in full each of the obligations under the Acquisition Agreement; and there having been no substantive breach of any provision under the Acquisition Agreement.

Conditions precedent

Completion of the Acquisition is subject to and conditional upon the fulfilment or waiver (as the case may be) of the following conditions precedent:

- (a) the representations, warranties and undertakings given by the Vendor under the Acquisition Agreement remaining true, complete and effective;
- (b) to the reasonable belief of the Vendor, except for those disclosed to the Purchaser, there having been no pending or threatening claims, litigations and proceedings which may have a materially effect on the operations of the Target Company;
- (c) the board of directors of the Target Company having unanimously approved the Acquisition (including the new joint venture agreement and the new articles of association of the Target Company), and such board resolutions remaining valid;
- (d) the Vendor having performed in full each of the obligations under the Acquisition Agreement, and there having been no substantive breach in any of the provisions in the Acquisition Agreement;
- (e) if necessary, all necessary approvals, consents and waivers from any relevant government or supervising authorities or other relevant third parties in respect of the Acquisition having been obtained;
- (f) there being no material adverse change, which shall be determined at the absolute discretion of the Purchaser;
- (g) the Purchaser being satisfied with the results of its due diligence in respect of the Target Company; and

- (h) the Vendor having furnished the Purchaser with proof that the Acquisition (including the new joint venture agreement and the new articles of association of the Target Company) having been approved by its supreme empowered authority or such other personnel or entity authorised to approve the Acquisition, and such approval remaining valid.

The parties to the Acquisition Agreement shall use their reasonable efforts to ensure that the conditions precedent to Completion are being satisfied as soon as possible, but in any event no later than 30 April 2022 (or such later date as may be agreed by the parties in writing). All conditions set out above are not waivable, except that conditions (a), (b), (d), (f) and (g) set out above may be waived at the absolute discretion of the Purchaser.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company established in the PRC with limited liability. The principal business activity of the Target Company is finance leasing. As at the date of this announcement, the Target Company is a subsidiary of Science City. It is expected to remain a subsidiary of Science City upon completion of the Acquisition.

The registered capital of the Target Company is RMB1,000 million as at the date of this announcement.

Financial information of the Target Company

Set out below is a summary of the audited financial information of the Target Company for the two financial years ended 31 December 2019 and 31 December 2020 respectively prepared under the PRC GAAP:

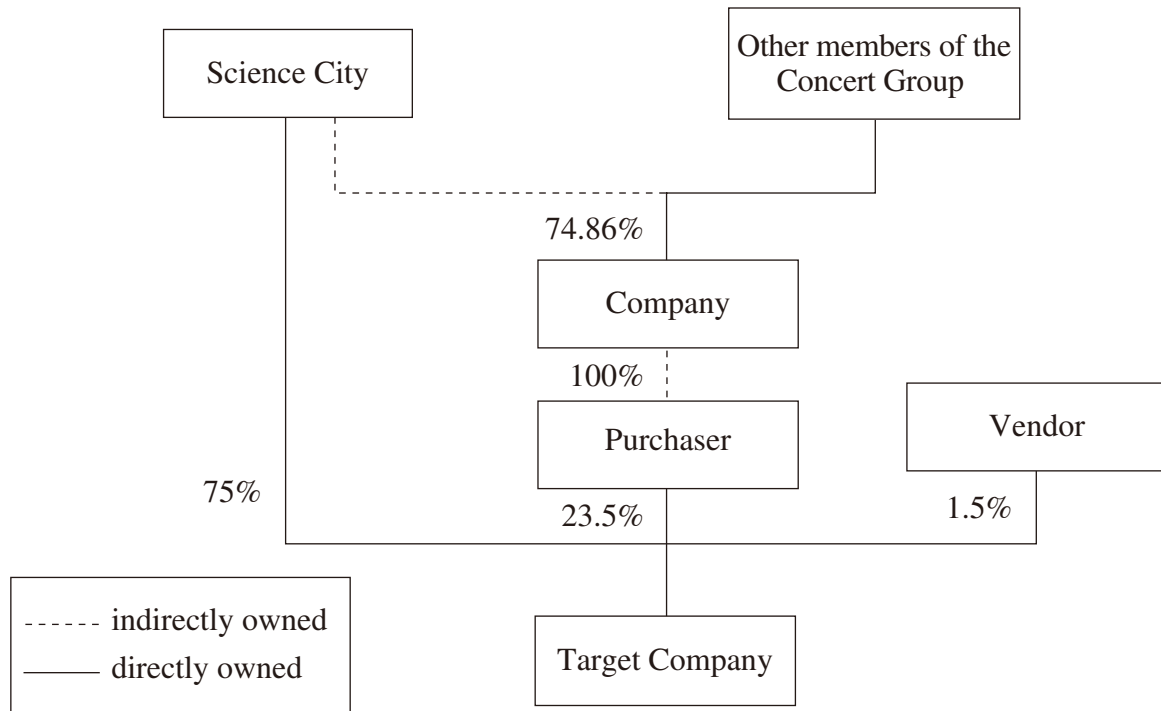
	For the year ended	
	31 December	
	2020	2019
	(RMB)	(RMB)
Net profit before taxation	61,516,000	46,694,000
Net profit after taxation	45,998,000	34,854,000

The audited net asset value of the Target Company for each of the two years ended 31 December 2019 and 31 December 2020 was approximately RMB236,938,000 and RMB351,698,000, respectively.

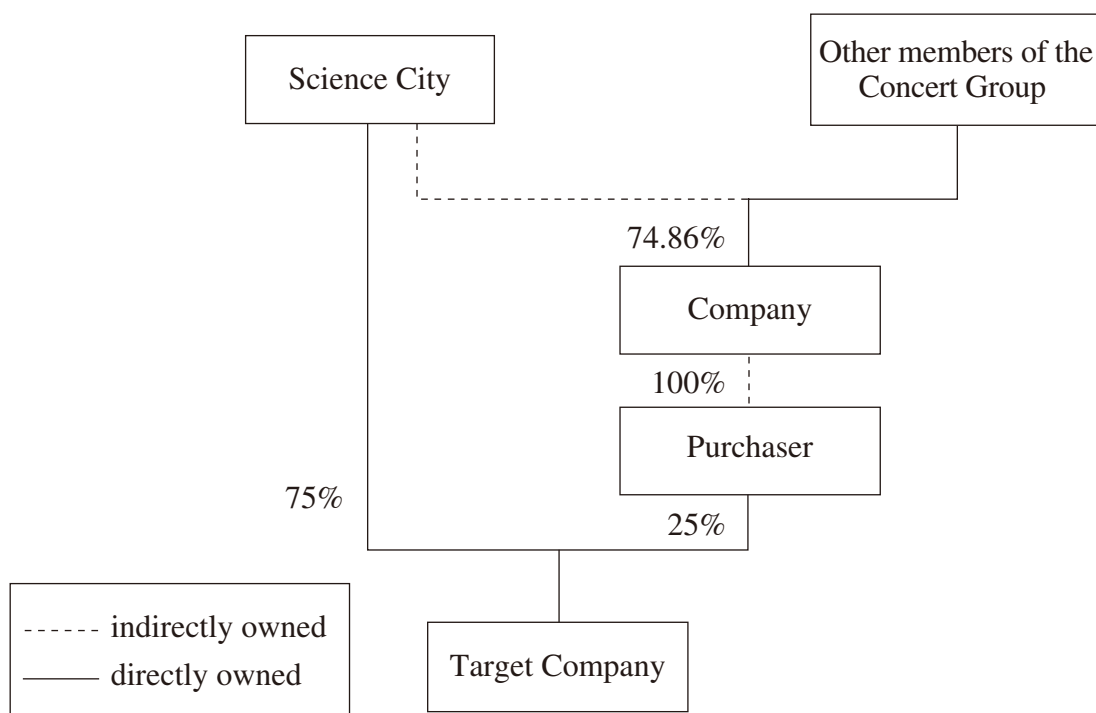
SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

The following diagrams set out the simplified shareholding structures of the Target Company before and upon Completion of the Acquisition:

As at the date of this announcement



Immediately after Completion of the Acquisition



REASONS FOR AND BENEFITS OF THE ACQUISITION

It was disclosed in the circular of the Company dated 4 September 2020 that the Board considered that the Initial Acquisition would enable the Group to diversify the scope of its operations as it will gain access to investment in the finance leasing industry. The Investments represented good investment opportunities and were in line with the Group's vision to invest in target companies or businesses having promising outlooks and prospects. The Acquisition would enable the Group to increase its shareholding percentage and further consolidate its interest in the Target Company. Taking into account the state-owned background of the Target Company and the relationship between the Company and Science City, the Acquisition would benefit the Group as the return derived from the investment in the Target Company is expected to be a stable income stream to the Group. The Acquisition represents a further endeavour of the Group in furtherance of its investment in the Target Company following the Investments.

Having taken into account: (1) the historical financial results and performance of the Target Company for the years ended 31 December 2019 and 2020, in particular the growth in net profit of the Target Company of 2020 as compared to that of 2019; (2) the nature of the business operations of the Target Company, including its business model, background and customers; and (3) the prospects of the finance leasing industry in the PRC, with reference to relevant PRC policies, such as the Relevant Guiding Opinion of the Office of the State Department on the Acceleration of Development of the Finance Leasing Industry* (國務院辦公廳關於加快融資租賃業發展的指導意見), aiming at boosting the development of the financial leasing industry in the PRC, the Directors (including the independent non-executive Directors) are of the view that the terms of the Acquisition Agreement are on normal commercial terms and were arrived at after an arm's length negotiation, and the Acquisition is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As (1) Mr. Yang Jun, Mr. Wu Zhongming, Mr. Wu Dingliang, Ms. Qin You and Mr. Chen Yisheng hold positions within the Science City Group; and (2) Mr. Tse is a person acting in concert with SCHK (a direct wholly-owned subsidiary of Science City) pursuant to the Concert Group Agreement, each of the abovementioned Directors are deemed to have material interest in and have therefore abstained from voting on the resolutions of the Board approving the Acquisition Agreement and the transactions contemplated thereunder.

Reference is made to the announcement of the Company dated 13 July 2021 in relation to a non-legally binding memorandum of understanding entered into between the Purchaser, the Target Company, Science City and the Vendor, pursuant to which the Target Company intended to increase its registered capital and the Purchaser intended to make a capital injection into the Target Company such that the Purchaser was expected to hold more than 50% of the equity interest in the Target Company (the "**Previous Plan**"). In light of the current business plan of the Group, it is the Company's current intention that it will no longer pursue the Previous Plan and will continue to put resources on the Group's primary businesses. The Target Company is expected to remain an investment of the Company and will not be consolidated into the financial statement of the Group.

INFORMATION ON THE PARTIES

Information on Science City

Science City is a company established in the PRC with limited liability on 21 August 1984 and is a direct wholly-owned subsidiary of Guangzhou Economic Technology Development Zone Management Committee* (廣州經濟技術開發區管理委員會). The ultimate beneficial owner of Science City is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會). Science City is principally engaged in construction, real estate development and property management businesses in the PRC and is a controlling shareholder of the Company.

Information on the Vendor

The Vendor is a company incorporated in Hong Kong with limited liability. It is principally engaged in investment holding. The ultimate beneficial owner of the Vendor is Yang Lixuan.

Information on the Purchaser

The Purchaser is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

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 design, sale and manufacture of furniture and trading of commodities.

LISTING RULES IMPLICATIONS

As the Acquisition is proposed to be made by the Group within a 12-month period after the consummation of or is otherwise related to the Investments, (i) in respect of the notifiable transaction requirements under Chapter 14 of the Listing Rules, the Investments and the Acquisition are aggregated as a series of transactions pursuant to Rule 14.22 of the Listing Rules; and (ii) in respect of the connected transaction requirements under Chapter 14A of the Listing Rules, the Capital Injections and the Acquisition are aggregated as a series of transactions pursuant to Rule 14A.81 of the Listing Rules, whereas the Initial Acquisition, as a discloseable and connected transaction, has been approved by the Shareholders at the extraordinary general meeting of the Company held on 25 September 2020 in compliance with Chapter 14A of the Listing Rules.

As at the date of this announcement, Science City (1) holds 75% of the equity interest in the Target Company; and (2) is through SCHK and parties acting in concert with it, interested in an aggregate of 1,945,391,280 Shares (representing approximately 74.86% of the issued share capital of the Company). Hence, Science City is a controlling shareholder of the Company and both the Target Company and Science City are connected persons of the Company.

As one or more of the applicable percentage ratios in respect of the Acquisition, (i) as a notifiable transaction, on an aggregate basis, are more than 5% but all are less than 25%; and (ii) as a connected transaction, on an aggregate basis, are more than 0.1% but all are less than 5%; the Acquisition constitutes a discloseable and connected transaction of the Company, and is subject to reporting and announcement requirements, but is exempted from circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions shall have the respective meanings set opposite thereto:

“Acquisition”	the acquisition of 1.5% of the equity interest in the Target Company by the Purchaser from the Vendor in accordance with the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the acquisition agreement dated 18 March 2022 entered into between the Purchaser and the Vendor, pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase 1.5% of the equity interest in the Target Company at the cash consideration of RMB19.5 million
“acting in concert”	has the meaning ascribed to it under the Takeovers Code
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Charming Future”	Charming Future Holdings Limited, a beneficial owner of 209,768,922 Shares, representing 8.07% of the issued share capital of the Company as at the date of this announcement and is wholly-owned by Mr. Tse. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“Company”	Royale Home Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange

“Completion”	completion of industrial and commercial registration with the Guangdong Administration for Market Regulation (廣州市市場監督管理局) of the new joint venture agreement and new articles of association of the Target Company and the obtaining of a new business license in respect of the Acquisition
“Concert Group”	SCHK, Mr. Tse, Leading Star, Crisana and Charming Future
“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 in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules
“Crisana”	Crisana International Inc., a beneficial owner of 165,840,120 Shares, representing 6.38% of the issued share capital of the Company as at the date of this announcement, and is wholly-owned by Mr. Tse. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Leading Star”	Leading Star Global Limited, a company wholly-owned by Mr. Tse as at the date of this announcement and the direct beneficial owner of 51,971,227 Shares, representing 2.00% of the issued share capital of the Company as at the date of this announcement. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Mr. Tse”	Mr. Tse Kam Pang, being the chairman of the Company and an executive Director, and the direct beneficial owner of 282,948,047 Shares, representing 10.89% of the issued share capital of the Company as at the date of this announcement. He is also deemed to be interested in the 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“PRC”	the People’s Republic of China
“PRC GAAP”	the generally accepted accounting principles in the PRC
“Purchaser”	Royal Finance Lease Limited (皇朝融資租賃有限公司) (formerly known as Comfort Sofa Limited (舒適梳化有限公司)), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Registration Documents”	documents required to effect the procedures of an industrial and commercial registration, including but not limited to shareholders’ resolutions, board resolutions, new joint venture agreement and new articles of association of the Target Company
“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 1,234,862,964 Shares, representing 47.52% of the issued share capital of the Company as at the date of this announcement. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“Science City”	Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司), a company established in the PRC with limited liability on 21 August 1984 and a controlling shareholder 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)
“Science City Group”	Science City together with its subsidiaries but excluding the Group

“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“Target Company”	Science City (Guangzhou) Finance and Leasing Co., Limited* (科學城(廣州)融資租賃有限公司) a company established in the PRC with limited liability
“Vendor”	China Finance Leasing Limited (中國金融租賃有限公司), a company incorporated in Hong Kong with limited liability
“%”	per cent

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

Hong Kong, 18 March 2022

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 purposes only*