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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
PROPOSED FORMATION OF JOINT VENTURE
IN RELATION TO ACQUISITION OF LAND
BY WAY OF PUBLIC AUCTION**

A letter from the Board is set out on pages 6 to 17 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 27 October 2020 in relation to the JV Agreement and the transactions contemplated thereunder
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Bidding”	the bidding and tendering for the Target Land Parcel by the JV at the Public Auction pursuant to the JV Agreement
“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 is deemed to be interested in 2,095,991,280 Shares, representing 80.66% of the issued share capital of the Company pursuant to the Concert Group Agreement as at the Latest Practicable Date
“Company”	Royale Home Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1198)
“Concert Group Agreement”	the concert group agreement dated 24 May 2019 entered into amongst SCHK, Mr. Tse and his wholly owned companies including Leading Star, Crisana and Charming Future
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Crisana”	Crisana International Inc., a beneficial owner of 185,840,120 Shares, representing 7.15% of the issued share capital of the Company as at the Latest Practicable Date, and is wholly-owned by Mr. Tse. It is deemed to be interested in 2,095,991,280 Shares, representing 80.66% of the issued share capital of the Company pursuant to the Concert Group Agreement as at the Latest Practicable Date
“Director(s)”	the director(s) of the Company

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“Duff & Phelps”	D&P China (HK) Limited, the independent professional valuer appointed by the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“JV”	a joint venture entity established in the PRC by Wanlibao and the JV Partner in accordance with the terms and conditions of the JV Agreement
“JV Agreement”	the joint venture agreement dated 27 October 2020 entered into between Wanlibao and the JV Partner
“JV Partner”	Huizhou Gangjie Land Co., Ltd.* (惠州市港傑置業有限公司), a company established in the PRC with limited liability
“Land Resumptions”	the resumptions of the Resumed Land Parcels under two land resumption agreements entered into by the Group and the government on 18 June 2020 which form part of the Target Land Parcel
“Land Resumptions Disclosures”	the announcement of the Company dated 18 June 2020 and the circular of the Company dated 30 September 2020 in relation to the Land Resumptions
“Latest Practicable Date”	9 December 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Leading Star”	Leading Star Global Limited, a company wholly-owned by Mr. Tse as at the Latest Practicable Date and the direct beneficial owner of 51,971,227 Shares, representing 2.00% of the issued share capital of the Company as at the Latest Practicable Date. It is deemed to be interested in 2,095,991,280 Shares, representing 80.66% of the issued share capital of the Company pursuant to the Concert Group Agreement as at the Latest Practicable Date
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

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“Mr. Tse”	Mr. Tse Kam Pang, being the chairman of the Company and an executive Director, and the direct beneficial owner of 348,948,047 Shares, representing 13.43% of the issued share capital of the Company as at the Latest Practicable Date. He is also deemed to be interested in 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
“Party(ies)”	party(ies) to the JV Agreement
“PRC”	the People’s Republic of China
“Predetermined Price Limit”	an internally determined price limit of the Group, limiting the maximum total contribution from the Group to the JV for the Bidding at RMB1.8 billion
“Price Difference”	the Actual Bid Price less the Final Bid Price/Maximum Bid Price (as appropriate), representing the amount of bid price in excess of the Final Bid Price/Maximum Bid Price (as appropriate)
“Resumed Land Parcels”	Resumed Land Parcel A and Resumed Land Parcel B
“Resumed 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, which was resumed by the government under a land resumption agreement entered into between the Group and the government on 18 June 2020
“Resumed 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, which was resumed by the government under a land resumption agreement entered into between the Group and the government on 18 June 2020
“RMB”	Renminbi, the lawful currency of the PRC

DEFINITIONS

“SCHK”	Science City (Hong Kong) Investment Co. Limited, a direct wholly-owned subsidiary of Science City and the direct beneficial owner of 1,299,462,964 Shares, representing 50.01% of the issued share capital of the Company as at the Latest Practicable Date. It is deemed to be interested in 2,095,991,280 Shares, representing 80.66% of the issued share capital of the Company pursuant to the Concert Group Agreement as at the Latest Practicable Date
“Science City”	Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司), a company established in the PRC with limited liability on 21 August 1984 and a controlling Shareholder. The ultimate beneficial owner of Science City is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“SFO”	Securities and Futures Ordinance (Cap 571 of the laws of Hong Kong)
“Share(s)”	the share(s) of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Surplus Funds”	funds remaining after deducting (i) working capital required for project development in the next three (3) months; (ii) shareholders’ contributions and interests; and (iii) debts of the JV upon maturity
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“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
“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

DEFINITIONS

“Wanlibao”

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

“%” 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:

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Hong Kong

14 December 2020

To the Shareholders

Dear Sir or Madam,

**MAJOR TRANSACTION
PROPOSED FORMATION OF JOINT VENTURE
IN RELATION TO ACQUISITION OF LAND
BY WAY OF PUBLIC AUCTION**

INTRODUCTION

Reference is made to (i) the Announcement in relation to the JV Agreement and the transactions contemplated thereunder, (ii) the announcement of the Company dated 11 November 2020 in relation to, among others, an update on the successful Bidding of the Target Land Parcel by the JV and (iii) the announcement of the Company dated 25 August 2020 in relation to a custodian agreement entered into between amongst others, Guangzhou Yufa Furniture Co., Ltd.*

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(廣州裕發家具有限公司), an indirect wholly-owned subsidiary of the Company, and an independent third party property developer, pursuant to which the parties' had formed an initial intention of establishing a joint venture for the specific purpose of participating in the bidding of the Target Land Parcel by way of public auction (the "**Custodian Agreement**").

The Company has obtained written approvals for the JV Agreement and the transactions contemplated thereunder in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders comprising SCHK, Mr. Tse and his wholly owned companies including 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 and his wholly-owned companies including 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 JV Agreement and the transactions contemplated thereunder 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 JV Agreement, the transactions contemplated thereunder and further information required to be disclosed under the Listing Rules.

THE JV AGREEMENT

The principal terms of the JV Agreement are set out as follows:

Date

27 October 2020

Parties

1. Wanlibao; and
2. the JV Partner

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the JV Partner and its ultimate beneficial owner are third parties independent of the Company and its connected persons.

Subject Matter

Wanlibao entered into the JV Agreement with the JV Partner, pursuant to which the Parties have agreed to establish the JV in the PRC for the purpose of acquiring the Target Land Parcel by way of the Bidding at the Public Auction and potential subsequent

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development. The nature and scope of business of the JV may only be changed upon unanimous consent of the Parties.

The JV has successfully acquired the Target Land Parcel at the Public Auction held on 11 November 2020 at the bid-winning price of RMB3.83 billion (i.e. approximately RMB6,500 per square metre by total building area). As disclosed in the circular of the Company dated 30 September 2020 (the “**Land Resumption Circular**”), during the negotiations between the parties to the land resumption agreements, it was understood that the base prices for the public auction of Resumed Land Parcel A and Resumed Land Parcel B would possibly be around RMB7,197 and RMB7,171 per square metre by total building area, respectively.

It was disclosed in the section headed “The Bidding Process” in the Land Resumption Circular that the base prices for land parcels at public land auctions shall be determined with reference to amongst others, applicable PRC laws and policies. As disclosed in the Land Resumption Circular, according to relevant documents issued by the Guangzhou City Planning and Natural Resources Bureau (Zengcheng Branch)* (廣州市規劃和自然資源局增城區分局), the base price is determined by the government with reference to (1) the market valuation; (2) the benchmark price; and (3) the costs of land transfer. Accordingly, the base prices for the public auction of Resumed Land Parcel A and Resumed Land Parcel B were subject to the final determination and announcement of the government in the tender document.

The actual base price of the Target Land Parcel at the Public Auction was eventually determined and announced by the government as RMB3.83 billion (i.e. approximately RMB6,500 per square metre by total building area).

Formation of the JV

The Parties have agreed to establish the JV in the PRC for the purpose of acquiring the Target Land Parcel by way of the Bidding at the Public Auction. The equity interest of the JV will be owned as to 60% by the JV Partner and as to 40% by Wanlibao.

Public Auction

Deposit

The deposit for the Public Auction (the “**Deposit**”) shall be RMB766 million (subject to the actual deposit amount to be announced in the official tender documents), which shall be contributed by Wanlibao and the JV Partner according to their respective shareholding proportion in the JV (i.e. Wanlibao and the JV Partner contributed RMB306.4 million and RMB459.6 million, respectively). Wanlibao and the JV Partner shall pay their respective portions of the Deposit to an account of the JV before the time limit specified in the tender documents. The JV will then pay the Deposit to the relevant government and land exchange authority(ies).

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The Deposit of RMB766 million had been paid by the JV before the Public Auction.

Bid Price

The Parties shall, on or before the day immediately preceding the commencement date of the online bidding session of the Public Auction, agree in writing on the maximum bid price (the “**Maximum Bid Price**”) to be paid by the JV for the Bidding at the Public Auction. In the event that the Parties are unable to reach an agreement on the Maximum Bid Price, each of the Parties shall bring along with them on the day of the Public Auction a bid price duly authorised by their respective groups, and the lower of which will be the final bid price (the “**Final Bid Price**”).

In order to afford the Parties with flexibility in the event that there are competing bids at the Public Auction, each of the Parties may further raise the bid-price (in the name of the JV) for the Bidding to a price exceeding the Final Bid Price/Maximum Bid Price. The following mechanism shall apply when any of the Parties (the “**Bidding Party**”) has successfully acquired, in the name of the JV, the Target Land Parcel through the Public Auction at a price exceeding the Final Bid Price/Maximum Bid Price (the “**Actual Bid Price**”):

- (a) The other Party (the “**Discontinuing Party**”) shall, within three (3) business days, inform the Bidding Party in writing whether it elects to terminate the cooperation under the JV Agreement (the “**Notice**”). If the Discontinuing Party elects to continue with the cooperation under the JV Agreement, the JV Agreement shall remain effective and the Parties shall bear the Price Difference and the relevant tax and fees in proportion to their respective shareholdings in the JV. If the Discontinuing Party elects otherwise or fails to give the Notice, the Discontinuing Party shall be deemed to have withdrawn from the cooperation under the JV Agreement.
- (b) In the event that the Bidding Party forebears the Target Land Parcel after a successful Bidding, the Bidding Party shall be accountable for all obligations and losses arising therefrom (including loss on the Deposit) and damages of the Discontinuing Party.

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- (c) The Discontinuing Party shall have no rights in and bear no obligations of the JV upon the date on which the Discontinuing Party withdraws from the cooperation under the JV Agreement, but shall cooperate with the Bidding Party in respect of actions to be taken by the JV for the purpose of the successful acquisition of the Target Land Parcel, including the followings:
- (i) return all documents, information and jointly controlled properties to the JV and assist in the execution of relevant land transfer and ancillary documents. However, the obligation to pay the acquisition price of the Target Land Parcel and relevant tax and expenses shall be borne solely by the Bidding Party.
 - (ii) ensure its equity interest in the JV not being subject to any securities, freezing orders, confiscation or encumbrances, until such equity interest is transferred to the Bidding Party or its designated nominee. Within 15 business days from the JV obtaining a transfer confirmation in respect of the Target Land Parcel, the Discontinuing Party shall (i) transfer all of its equity interest in the JV at cost (i.e. the amount of paid up capital of the JV actually contributed by the Discontinuing Party) to the Bidding Party or its designated nominee and (ii) assist in the completion of business registration for change of shareholder(s) and other relevant procedures. Within three (3) business days from the completion of the business registration for change of shareholder(s), all funds paid by the Discontinuing Party to the JV, including costs actually incurred such as the Deposit and shareholders' loan (if any) shall be refunded to the Discontinuing Party.

As disclosed in the update announcement of the Company dated 11 November 2020, the JV has successfully won the bid for the Target Land Parcel at the Public Auction held on 11 November 2020 at the bid-winning price of RMB3.83 billion, being the Maximum Bid Price agreed between the Parties before the Bidding.

Unsuccessful Bidding

The JV Agreement provides that the JV Agreement shall terminate, and shall be of no further effect and impose no further obligations on the Parties in the event of an unsuccessful Bidding at the Public Auction. The JV shall return to the Parties a sum constituting the Deposit actually paid by each of them within one (1) business days after the Deposit is returned by the relevant government and land exchange authority(ies).

The Bidding Process

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

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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.

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 Guangzhou City Planning and Natural Resources Bureau (Zengcheng Branch)* (廣州市規劃和自然資源局增城區分局) (the “**Planning Bureau**”), the estimated base price for Target Land Parcels in the Public Auction shall be no less than (1) the market valuation; (2) the benchmark price; and (3) the costs of the land transfer. The market valuation of the Target Land Parcel will be determined based on appraisals arranged by the Planning Bureau before the Public Auction. 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.

Capital Contribution

The registered capital of the JV will initially be RMB10,000,000, to be contributed by the JV Partner and Wanlibao in the following proportion:

	Initial capital contribution (RMB)	Percentage of equity interest in the JV
The JV Partner	6,000,000	60%
Wanlibao	4,000,000	40%

The Parties agreed that upon the successful Bidding of the Target Land Parcel at the Public Auction, the registered capital of the JV shall be increased to an amount no less than 50% of the bid-winning price of the Target Land Parcel. The additional registered capital of the JV shall be paid up in accordance with the payment timetable stipulated in the tender documents. The actual paid up registered capital amount and the relevant payment arrangement are to be separately negotiated and confirmed by the Parties.

Upon entering into the JV Agreement, the amount of total capital contributions estimated to be made by Wanlibao in respect of the Bidding of the Target Land Parcel under the JV Agreement represents 40% (i.e. the shareholding percentage of Wanlibao in the JV) of the indicative bid-price of the Target Land Parcel for the Bidding at the Public Auction. The Directors considered that the amount of capital contributions for the Bidding of the Target Land Parcel (including the Deposit) to be made to the JV by the Group under the JV Agreement were determined after arm’s length negotiation between the Parties with reference to the estimated initial capital requirements of the JV for the Bidding, the indicative bid-price of the Target Land Parcel of about RMB3.83 billion, the proportion of

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equity interest of the Group in the JV (i.e. 40%), and the expected base price of the Target Land Parcel at the Public Auction.

As disclosed in the update announcement of the Company dated 11 November 2020, the bid-winning price of the Target Land Parcel at the Public Auction held on 11 November 2020 was RMB3.83 billion. Therefore, the maximum capital contribution of Wanlibao to the JV in respect of the Bidding, determined based on the shareholding percentage of Wanlibao in the JV (i.e. 40%), amounts to RMB1.532 billion.

The Group has closely monitored the development of the Public Auction in respect of the Target Land Parcel under the JV Agreement. As internal control measures, the Group would not:

- (i) acquire the Target Land Parcel (in the name of the JV) through the Public Auction at a price exceeding the Final Bid Price/Maximum Bid Price; or
- (ii) elect to continue with the cooperation under the JV Agreement as the Discontinuing Party;

if it would lead to the maximum total contribution from the Group to the JV for the acquisition of the Target Land Parcel exceeding the Predetermined Price Limit.

The above-mentioned internal control measures were designed to ensure the Company's compliance with the Listing Rules. The Predetermined Price Limit of RMB1.8 billion was determined by the Group with reference to the appraised value of the Target Land Parcel of RMB4.5 billion and the shareholding percentage of Wanlibao in the JV (i.e. 40%). By reference to the Predetermined Price Limit, the maximum capital contributions to be made by the Group to the JV for the purpose of the Bidding would in no event exceed RMB1.8 billion, and hence the transactions under the JV Agreement would not constitute a very substantial acquisition for the Company.

The Group expects to fund its capital contribution under the JV Agreement by its internal resources, bank financing and/or other loan financing(s). As disclosed in the update announcement of the Company dated 11 November 2020, the Group expects to recognise a gain of approximately RMB1.18 billion (equivalent to approximately HK\$1.37 billion) upon the completion of the Land Resumptions, which may be utilised towards the payment of the capital contributions under the JV Agreement. The actual gain is subject to the annual audit conducted by the auditors of the Company.

Participation in the Development of the Project

Upon the successful acquisition of the Target Land Parcel by the JV, Wanlibao may within three (3) business days therefrom notify whether to participate in the development of the Target Land Parcel. If Wanlibao does not participate in the development project in relation to the Target Land Parcel, the JV Partner agreed to acquire all of the equity interest

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in the JV held by Wanlibao at cost (i.e. the amount of paid up capital of the JV actually contributed by Wanlibao). The JV shall refund all funds paid by Wanlibao to the JV, including costs actually incurred.

As at the Latest Practicable Date and following the successful acquisition of the Target Land Parcel at the Public Auction, Wanlibao has notified the JV Partner that it will participate in the development of the Target Land Parcel.

Management of the JV

All certificates, licenses, agreements, invoices, seals, information and legal documents of the JV are to be held in the joint custody of the Parties at the registered address of the JV in accordance with the JV Agreement.

The decisions made by resolution(s) passed at a shareholders' meeting of the JV shall be supreme, such decisions shall be made by a vote of simple majority of the voting rights of the JV Company (represented by amount of registered capital).

The board of directors of the JV will consist of five (5) directors. The JV Partner shall be entitled to nominate three (3) directors and Wanlibao shall be entitled to nominate two (2) directors. The chairman of the board of directors of the JV shall be a director nominated by Wanlibao. The decisions of the board of directors of the JV shall be by a vote of simple majority of the directors of the JV.

The JV Partner shall nominate the general manager of the JV, who shall also be the legal representative of the JV.

The JV Partner shall be in charge of the operational management of the development of the Target Land Parcel, including project planning and design, construction management, operational management, marketing management and property management. Wanlibao shall be responsible for filings and reporting, cost control and contractors tender arrangement.

Fund Raising

The Parties shall be responsible for project financings for the purpose of the acquisition and/or development of the Target Land Parcel in accordance with their respective proportion of shareholding in the JV. The financing needs of the JV shall be predominantly satisfied by external financing to be arranged by the JV.

The Company will comply with any additional requirements under Chapters 14 and 14A of the Listing Rules (if applicable) and keep the Shareholders and potential investors of the Company informed in relation to the JV and the development of the Target Land Parcel (including any additional commitments) as and when appropriate.

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Distributions

Any Surplus Funds of the JV may be shared by the JV Partner and Wanlibao in proportion to their respective equity interests in the JV.

FINANCIAL EFFECTS

Upon the establishment of the JV, the JV Partner will control 60% of the voting rights in the shareholders' meetings of the JV and therefore the JV will become a subsidiary of the JV Partner. As a result, the financial results of the JV will not be consolidated into the financial statements of the Group. The profits/losses after taxation in respect of JV shall be shared by the JV Partner and Wanlibao in proportion to their respective equity interests in JV.

INFORMATION OF THE TARGET LAND PARCEL

The Target Land Parcel comprises of one piece of land with a total land area of approximately 196,435.11 square metres located at Hengling Village, Shitan Town, Zengcheng District, Guangzhou* (廣州市增城區石灘鎮橫嶺村), the PRC.

Pursuant to the "Reply Letter relating to the Urban Planning Conditions of the Land for Development of 294.653 Mu (畝) located at Hengling Village, Shitan Town, Zengcheng District"* (《關於增城區石灘鎮橫嶺村294.653畝建設用地規劃條件的覆函》), the following are the major economic and technical indicators of the Target Land Parcel:

Total land area	:	196,435.11 square metres
Land use	:	Residential (and commercial) uses, with not more than 19,447.08 square metres for commercial use
Total construction area	:	Not exceeding 589,305.33 square metres
Plot ratio	:	Not exceeding 3.0
Building density	:	Not exceeding 30%
Green ratio	:	Not less than 30%
Building height limit	:	Not exceeding 120 metres

The Parties agreed that the exact location, land use and term of the Target Land Parcel shall be subject to the provisions of the final state-owned land use right transfer agreement, and the Parties may enter into further negotiation in the event that the major economic and technical indicators above are adjusted upon the listing of the Target Land Parcel for the Public Auction.

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Based on the valuation report set out in appendix II to this circular prepared by Duff & Phelps, the independent valuer engaged by the Company, the appraised value of the Target Land Parcel amounts to RMB4,500,000,000.

Reference is made to the Land Resumptions Disclosures and the announcement of the Company dated 25 August 2020, the Resumed Land Parcels with a total land area of 187,575.8 square metres will form a substantial part of the Target Land Parcel.

INFORMATION ON THE PARTIES

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.

Information on the JV Partner

The JV Partner is a company established in the PRC with limited liability. It is principally engaged in the development of real estate projects in the PRC. It is an indirect wholly-owned subsidiary of Ganglong China Property Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (“**Ganglong**”, stock code: 6968). Ganglong is 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, car parks and ancillary areas.

Information on the Company and the Group

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

REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT AND THE FORMATION OF THE JV

As disclosed in the Land Resumptions Disclosures, the Group believes that the Land Resumptions were the only practicable means for the Group to realise the evident potential of the Resumed Land Parcels; as the Three Olds Renovation Plan is the only practicable way under which the land use of the Resumed Land Parcels may be converted from industrial use to residential and/or commercial uses.

The Company considers that the JV represents an excellent investment opportunity to the Group, through which the Group will be able to hold an investment interest in the JV and enjoy the estimated earnings of the development project in relation to the Target Land Parcel under the JV. The Directors consider that the JV and the development of the Target Land Parcel represent a

LETTER FROM THE BOARD

further endeavour of the Group to integrate its gains from the Land Resumptions into its larger investment picture.

The Target Land Parcel is located in Zengcheng District, a leading district in terms of economic indicators in Guangzhou. The Target Land Parcel is of considerable scale and may be developed for commercial and residential uses. The JV Partner 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 taking into account the cooperation with the JV Partner and Ganglong and their 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 JV and the Target Land Parcel.

The Directors consider that the formation of the JV could enable the Group to participate in a sizeable project where any costs and funding needs (other than those satisfied by external fund-raising to be carried out by the JV) arising from the JV, the acquisition of Target Land Parcel as well as the development thereof could be shared between the Group and the JV Partner in proportion to their respective equity interests in the JV. As such, it would lower the capital commitment required on the part of the Group, enable the Group to maintain a healthy risk management and cashflow position and benefit the Group's financial performance in the long run.

Based on the above, the Directors (including the independent non-executive Directors) consider that the terms of the JV Agreement are on normal commercial terms and are negotiated on an arm's length basis; and the transactions contemplated under the JV Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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 JV Agreement and the transactions contemplated thereunder exceed 25%, but all are less than 100%, the JV Agreement and the transactions contemplated thereunder 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.

Under Rule 14.44 of the Listing Rules, shareholders' approval for the JV Agreement and the transactions contemplated thereunder may be obtained by way of written 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) 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.

LETTER FROM THE BOARD

The Company has obtained written approvals for the JV Agreement and the transactions contemplated thereunder in accordance with Rule 14.44 of the Listing Rules from a closely allied group of Shareholders comprising SCHK, Mr. Tse and his wholly-owned companies including Leading Star, Crisana and Charming Future, who together are beneficially interested in an aggregate of 2,095,991,280 Shares (representing approximately 80.66% of the entire issued share capital of the Company) as at the Latest Practicable Date. SCHK, Mr. Tse and his wholly-owned companies including 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, no Shareholders or any of their respective close associates have any material interest in the JV Agreement and the transactions contemplated thereunder; 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 JV Agreement and the transactions contemplated thereunder. As such, no general meeting will be convened for the approval of the JV Agreement and the transactions contemplated thereunder 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 JV Agreement are on normal commercial terms and on an arm's length basis, and the transactions contemplated under the JV Agreement 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

* For identification purpose only

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 October 2020:

	As at 31 October 2020 HK\$'000
Included in the Group's balance sheet as	
"Interest-bearing bank and other borrowings"	
Interest-bearing bank borrowings – secured	332,810
Interest-bearing other borrowings – unsecured	65,534
	<u>398,344</u>
Included in the Group's balance sheet as	
"Loan from an associate"	
Loan from an associate	104,184
	<u>104,184</u>
Included in the Group's balance sheet as	
"Loan from ultimate holding company"	
Loan from ultimate holding company	81,032
	<u>81,032</u>

As at
31 October
2020
HK\$'000

Included in the Group's balance sheet as

“Loan from non-controlling interest”

Loan from non-controlling interest

40,281

Included in the Group's balance sheet as

“Medium term bonds”

Medium term bonds

33,421

Included in the Group's balance sheet as

“Other payables and accruals and lease liabilities”

Lease liabilities

39,939

As at the close of business on 31 October 2020, the Group had total outstanding consolidated interest-bearing bank loans and other borrowings, loan from an associate, loan from ultimate holding company and loan from non-controlling interests of approximately HK\$623,841,000 comprising (i) secured current bank loans of approximately HK\$243,096,000 and secured non-current bank loans of approximately HK\$89,714,000; (ii) unsecured current other loans of approximately HK\$65,534,000; (iii) unsecured current loans from an associate of approximately HK\$104,184,000; (iv) unsecured current loans from ultimate holding company of approximately HK\$81,032,000; (v) unsecured non-current loans from non-controlling interests of approximately HK\$37,641,000 and unsecured current loans from non-controlling interests of approximately HK\$2,640,000.

As at the close of business on 31 October 2020, the Group had total outstanding medium term bonds of approximately HK\$33,421,000.

As at the close of business on 31 October 2020, the Group had lease liabilities of approximately HK\$39,939,000.

Contingent liabilities

As at the close of business on 31 October 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 October 2020.

The Directors have confirmed that there had not been any material change in the indebtedness or contingent liabilities of the Group since 31 October 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 JV Agreement, 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, 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 (the “**Profit Warning Announcements**”).

Save as disclosed in the Profit Warning Announcements and the interim report for the six months ended 30 June 2020 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.

On 3 November 2020, the Group announced its intention to commence and develop a new business activity of sale and purchase of commodities, which includes physical trading of commodities such as aluminium ingots and bars and other relevant commodities (the “**New Business Activity**”). It is envisaged that the New Business Activity would generally involve the procurement of commodities by the Group and the on-sale of such commodities to customers on a recurring basis to satisfy existing and actual orders of customers.

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 the text of the letter and valuation report prepared for the purpose of incorporation into this circular, received from Duff & Phelps, an independent valuer, in connection with the valuation of the Target Land Parcel as at 12 October 2020.



14 December 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 value of a land parcel at Shitan Town, Zengcheng District of Guangzhou City, the People’s Republic of China (the “**PRC**”) (or hereafter referred as the “**Property**” or the “**property interests**”). We confirm that we have carried out inspection of the Property, made relevant enquiries and obtained such further information as we consider necessary for providing the market value of such property interests as of 12 October 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 Property comprises a residential land parcel (Lot No.: 18102203A20095) located at Shitan Town, Zengcheng District of Guangzhou City in the PRC. The salient details of the Property are tabulated below:

Property Address	Site Area	Existing Use	Permitted Maximum Gross Floor Area ("GFA") & Plot Ratio
A land parcel (Lot No.: 18102203A20095) located on the west of Nanbei Avenue, Shitan Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC	196,435.11 sq.m. (or about 294.653 Mou)	Class 2 Residential Land (R2), which is compatible with commercial use	589,305.33 sq.m. (Maximum Plot Ratio = 3.0)
位於中國廣東省廣州市增 城區石灘鎮南北大道西側 的一塊住宅土地(宗地編 號為18102203A20095號)			

VALUATION METHODOLOGY

In the course of our valuation, 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.

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 RMB9,195 to RMB10,705 per square metre on total building area. The unit rate assumed by us is consistent with the sales prices of relevant comparables after due adjustments. All the comparables are located in better locations and all of them are smaller in size, so that downward adjustments have been made, further downward adjustments have also made for reflecting a

better complementary facilities required by the government to be built. Based on the above captioned downward adjustments to the unit rates of those comparables sales prices, we have adopted an average unit rate of RMB7,641 per square metre on total building area.

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 Property. 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.

All legal documents disclosed in this letter and valuation particulars 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 valuation has 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 value of the property interests.

No allowance has been in our valuation for any charges, mortgages or amounts owing on the Property 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 its value.

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 particular.

Other special assumptions of the Property, 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 area or building area in respect of the property 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 Property in 21 February 2019. No structural survey has been made and we are therefore unable to report as to whether the Property is or is 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 hereby certify that we have neither present nor prospective interest in the Property or the value 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 VALUE

Property to be Acquired for Development

Property	Market Value in existing state as of 12 October 2020 (RMB)
<p>A land parcel (Lot No.: 18102203A20095) located on the west of Nanbei Avenue, Shitan Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC</p> <p>位於中國廣東省廣州市增城區石灘鎮南北大道西側的一塊住宅土地(宗地編號為18102203A20095號)</p>	4,500,000,000
Total:	<hr/> 4,500,000,000 <hr/>

VALUATION PARTICULARS

Property to be Acquired for Development

Property	Description and Tenure	Particulars of Occupancy	Market Value in existing state as at 12 October 2020
A land parcel (Lot No.: 18102203A20095) located on the west of Nanbei Avenue, Shitan Town, Zengcheng District, Guangzhou City, Guangdong Province, the PRC 位於中國廣東省廣州市增城區石灘鎮南北大道西側的一塊住宅土地 (宗地編號為 18102203A20095號)	The property is a residential land parcel with a site area of about 196,435.11 sq.m. (or about 294.653 Mou). The permitted maximum gross floor area (“GFA”) of the Property is 589,305.33 square metres. According to a local government provided template of the State-owned Land Use Rights Grant Contract, the land use term of the Property is 70 years for residential part, 40 years for commercial part and 50 years for the other parts, commencing on the date of signing the contract.	As advised, the Property was vacant as of the valuation date.	RMB4,500,000,000

Notes:

- Pursuant to an Announcement of the Online Listing of State-owned Land Use Rights of 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國有土地使用權網上掛牌出讓公告), Sui Gui Hua Zi Yuan Zeng Gua Chu Gao (2020) No. 41 (穗規劃資源增掛出告(2020)41號), dated 12 October 2020, the Property was put online for public listing for a period of one month (Deadline on 11 November 2020) with a base price of RMB3,830 million. The salient details and abstracts of the online listing are tabulated below:

A. Basic Land Details:

- Land Lot number: 18102203A20095
- Location: West of North South Avenue, Shitan Town, Zengcheng District
- Land use: Class 2 Residential Land (R2) (compatible with commercial)
- Site Area: 19,435.11 square metres (planned construction land area of 19,435.11 square metres)
- Plot Ratio: ≤ 3.0
- Gross Floor Area: $\leq 589,305.33$ square metres
- Starting price for listing: RMB3,830 million
- Price increase per bid: RMB10 million
- Bid deposit: RMB766 million or HKD87.65 million or USD113 million

B. Land Transfer Conditions – Bidder(s) Requirements:

- i. Domestic resident natural persons, legal persons and other organizations within and outside the PRC may apply for the bidding individually or jointly. The participation of foreign natural persons, legal persons and other organizations shall comply with the Provisions on the Foreign Exchange Administration of Domestic Direct Investment of Foreign Investors.
- ii. All bidders and their controlling shareholders who have the following violations of laws, regulations and contracts in the administrative area of Zengcheng District shall not participate in this bidding activity unless the cases are closed and problems are rectified:
 - Land premium overdue;
 - Illegal acts took place such as illegal transfer of land use rights;
 - Land idle for more than one year due to business reasons; or
 - Development and construction enterprises in violation of the conditions agreed in the Land Use Rights Grant Contract to develop or use a land.
- iii. Bidders must use their own funds to bid for commodity residential land for real estate development within Guangzhou City. The specific requirements should be followed and implemented in accordance to the details under “Guangzhou City Housing and Township Development Committee and Guangzhou City Natural Resources and Planning Committee – the Notice on Source Verification of Funds For Bidding Commodity Residential Land published by the Guangzhou City Financial Working Bureau” (Sui Jian Fang Chan [2016] No. 2144).
- iv. Bidders must submit their credit certificate(s) of a commercial financial institution.
- v. Payment Method: The transaction price (i.e. the land premium payable for the land) shall be payable in two installments after signing the “State-owned Land Use Rights Grant Contract”. The 1st Installment = 50% of the transaction price (including the guaranteed amount, or the deposit of RMB766 million will be converted as part of the land premium) shall be paid within 30 days after signing the “State-owned Land Use Rights Grant Contract”. The 2nd Installment = the remaining land premium shall be paid within 1 year from signing the “State-owned Land Use Rights Grant Contract”.
- vi. The transaction price is inclusive of RMB89.46 million for the basement carpark and utility rooms with a total gross floor area of 252,000 square metres. Should the total actual gross floor area of the basement carpark and utility rooms exceeds 252,000 square metres, an additional land premium is payable.

C. Land Use Requirements:

- i. After the land parcel is successfully bided, if the successful bidder is outside the administrative area of Zengcheng District, an independent project legal person with the same shareholders and the bidder must be registered within the administrative area of Zengcheng District within 2 months after signing the “Confirmation of Land Transaction”. The land parcel must be registered under the name of the newly established independent project legal person for project development.
- ii. The land use term of the Property is 70 years for residential part, 40 years for commercial part and 50 years for the other parts, commencing on the date of signing the State-owned Land Use Rights Grant Contract.
- iii. The successful bidder must complete all the construction approval procedures, environmental impact assessment, planning and other approval procedures and start the construction works within 12 months from the date of land handover. The whole development project must be completed within

36 months from the construction works commencement date. During this period, the successful bidder should complete the planning and construction application procedures within 10 months from the date of land handover, obtain the “Construction Land Planning Permit”, “Construction Works Planning Permit” and “Construction Commencement Permit”, and start construction within 12 months.

D. Transaction Principle:

The maximum land price of this state-owned land use rights is RMB5,553.5 million. If the bidder’s highest price does not exceed the maximum land price, the bidder shall be determined according to the principle of the highest price offered. When the offered price reaches the maximum land price, the bidding method will be switched to bidding to build government housing (residential). Each bidding increment is 450 square metres (based on the real estate registration gross floor area, but not less than 5 sets), the bidder who offers the highest gross floor area of government housing will be accepted as the successful bidder.

The government housing should be constructed, completed and delivered in the same pace as the first phase of the whole development project, and it will be transferred to the designated department of the People’s Government of Zengcheng District of Guangzhou City after completion.

When two or more bidders report the same bidding for the construction of the captioned government housing with a gross floor area of 357,300 square metres, online bidding will be stopped and it will change to lottery to determine the successful bidder. The lottery time is within 3 working days after the expiry of bidding deadline.

- Pursuant to a Reply on Planning Condition of a Construction Land in Hengling Village, Shitan Town, Zengcheng District with 294.653 mou (關於增城區石灘鎮南北大道西側294.653畝建設用地規劃條件的覆函), No. Sui Guihua Ziyuan Yewu Han [2020] No. 13356 (穗規劃資源業務函[2020]13356號), published by Guangzhou City Planning and Natural Resources Bureau (Zengcheng Branch) (廣州市規劃和自然資源局增城區局) (“**Planning Bureau**”) on 8 September 2020, the land planning standards and guidelines (經濟技術指標) together with the specific configuration of the Property are set forth, we have extracted some of the salient details below.

The land planning standards and guidelines are set as follows:

Building Nature	:	Residential (compatible with commercial)
Total Land Area	:	196,435.11 sq.m.
Lot No.	:	18102203A20095
Land Plot Nos.	:	It comprises 3 land plots (L-01-01 = 65,075 sq.m., L02-01 = 104,670 sq.m., L03-01 = 26,690.11 sq.m.)
Maximum GFA – Residential	:	≤589,305.33 sq.m. for residential (ancillary buildings shall not have more than 3.3% of the total GFA, that is 19,447.08 sq.m.)
Maximum GFA – Basement	:	≤252,000 sq.m. for basement carpark and utilities rooms (Plot Ratio non-countable) (excluding primary school not less than 3,000 sq.m. total basement area for school carpark and its utilities rooms)
Maximum Plot Ratio	:	≤3.0
Maximum Building Height	:	≤120 m
Maximum Building Density	:	≤30%
Minimum Greenery Ratio	:	≥30%
Other Requirements	:	Refer to the Letter No. Sui Guihua Ziyuan Yewu Han [2020] No. 13356

The specific configuration requirements are as follows:

Configurations	Quantity	Land Area (m^2)	GFA (m^2)	Planning Requirement
48 classes of primary school	1	Plot No: L-03-01 26,690 m^2	17,120	Total GFA not less than 3,000 sq.m. in basement (plot ratio non-countable), to be transferred without charge to the corresponding education departments for school carpark, facility & utility rooms purposes.
18 Classes kindergarten	1	8,220	5,120	No basement carpark is allowed within the kindergarten area in accordance to the planning requirement set forth by the related department of Education Authority. The setback area from roads cannot be counted within kindergarten area, while its actual land area should be measured from the internal face of fencing walls.
Communist party and government service center	1	—	500	
Resident committee	1	—	500	
Elderly Centre named as “Star-light Home for the Elderly”	2	—	500/place	Barrier-free design is required, it should be complied to “Barrier-Free Design Specification” No. GB 50763. These arrangement should be reasonable distributes among the two residential land plots.
Cultural Activity Centre	2	—	500/place	
Public toilets	2	—	100/place	They should be arranged close to the public roads on ground floor and easily identified. Allow at least 1 disable toilet. These arrangement should be reasonable distributes among the two residential land plots.
Logistics distribution station	1	—	300	
Wet market	1	—	2,000	

Configurations	Quantity	Land Area (m^2)	GFA (m^2)	Planning Requirement
Residents fitness venue	1	1,000	–	It can be combine with the greenery landscape design. To allow at least 2 badminton courts, 1 basket ball court, 1 tennis court and outdoor composite fitness venue (martial arts, sports, dance, gymnastics), children's playground and outdoor fitness centre.
Public Security and Police House	1	–	500	It should be arranged close to the public roads.
Garbage collection station (including renewable resource collection points)	2	300/place	150/place	It should be combined with facilities for garbage classification as well as residents' decoration garbage collection points.
Garbage collection point	–	–	–	Service set $\leq 70m$ from the residential area.
Property management room (including owners' committee)	–	–	–	Total GFA not less than 0.2%.
Transformer room	–	–	–	It cannot set close to residential units as well as in accordance to the requirement set by power supply department.
Telecommunication utility room	–	–	–	It should be complied with all requirements set forth by telecommunication department.
3.	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. It takes around 10-minute driving from Jiguang Highway to Guangzhou City.			
4.	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 in 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 RMB9,195 to RMB10,705 per square metre on accommodation area. The unit rate assumed by us is consistent with the sales prices of relevant comparables after due adjustments. All the comparables are located in better locations and all of them are smaller in size, so that downward adjustments have been made, further downward adjustments have also made for reflecting a better complementary facilities required by the government to be built. Based on the above captioned downward adjustments to the unit rates of those comparables sales prices, we have adopted a weighted average unit rate of RMB7,641 per square metre on accommodation area. The estimated market value of the land parcel of the Property as of the valuation date is RMB4,500,000,000.

(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 and short positions in Shares, underlying shares and debentures**

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	Entity	Capacity	Type of interest	Number of Shares	Approximate % of shareholding (Note 1)
Mr. Tse	Company	Beneficial owner	Long Position	348,948,047	13.43%
		Interest of controlled corporations (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 and his wholly owned companies including 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 and his wholly-owned companies including Leading Star, Crisana and Charming Future 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 (ii) the Model Code adopted by the Company; or (iii) entered in the register required to be kept under Section 352 of the SFO.

(b) Substantial shareholders' and other persons' interests and short positions 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	Type of interest	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%

Name of Shareholders	Capacity	Type of interest	Number of Shares	Approximate% of issued share capital of the Company (Note 1)
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 was deemed to be interested in 2,095,991,280 Shares 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 and his wholly owned companies including Leading Star, Crisana and Charming Future entered into the Concert Group Agreement. As a result, SCHK, Mr. Tse and his wholly owned companies including Leading Star, Crisana and Charming Future are parties acting in concert. As such, SCHK, Mr. Tse and his wholly-owned companies including Leading Star, Crisana and Charming Future 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 of the Company and an executive Director. Mr. Tse is the sole director of Crisana, Charming Future and Leading Star.

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

(C) DIRECTORS' SERVICE CONTRACTS

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

(D) COMPETING INTERESTS

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

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

As at the Latest Practicable Date:

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

(F) LITIGATION

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

(G) MATERIAL CONTRACTS

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

- (a) the JV Agreement;
- (b) the Custodian Agreement;
- (c) 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;
- (d) 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;
- (e) 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;
- (f) the two state-owned land use right resumption agreements* (收回國有土地使用權協議) entered into between two subsidiaries of the Company, Guangzhou City Planning and Natural Resources Bureau (Zengcheng Branch)* (廣州市規劃和自然資源局增城區分局), the People's Government of Shitan Town, Zengcheng District of Guangzhou City* (廣州市增城區石灘鎮人民政府) and Guangzhou City Zengcheng District Land Development Reserve Centre* (廣州市增城區土地開發儲備中心), both dated 18 June 2020, in relation to the Land Resumptions;
- (g) the non-binding strategic cooperation agreement entered into between the Company and China Construction Third Bureau First Engineering Co., Ltd.* (中建三局第一建設工程有限責任公司) in respect of cooperation in procurement of furniture products and construction projects;
- (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) dated 14 December 2020 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 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 share registrar of the Company 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;
8. the material contracts referred to in the paragraph headed "Material Contracts" in this appendix; and
9. the circulars of the Company dated 4 September 2020 and 30 September 2020.