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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 TRANSACTION PROVISION OF FINANCIAL ASSISTANCE**

#### **PROVISION OF FINANCIAL ASSISTANCE**

Reference is made to the announcements of the Company dated 27 October 2020 and 11 November 2020 and the Circular, in relation to, among other things, the formation of the JV by Wanlibao and Huizhou Gangjie in accordance with the terms and conditions of the JV Agreement.

On 2 August 2021, the JV entered into the Loan Agreement with the Lender, pursuant to which the Lender agreed to provide the Loan in the principal amount of up to RMB1.5 billion to the JV at the interest rate of 8.0% per annum. All amounts borrowed by the JV under the Loan shall be used for the development and construction of the project in respect of the Target Land Parcel. More than one loan may be drawn under the Loan Agreement by the JV, and each loan drawn under the Loan Agreement shall be repayable on a day falling 36 months after the date of establishment of the Trusts with the Lender as trustee. The Loan is secured by, among other things, (i) guarantees provided by each of Ganglong (China) and Science City to the Lender on a several basis (i.e. the repayment of 60% and 40% of the principal amount of the Loan and the performance of the obligations thereunder are guaranteed by Ganglong (China) and Science City, respectively); (ii) a first mortgage over the construction in progress on the Target Land Parcel provided by the JV for the benefit of the Lender; and (iii) share pledges provided by each of Wanlibao (i.e. the Pledge) and Jiangsu Ganglong for the benefit of the Lender over the equity interests in the JV held by Wanlibao and Jiangsu Ganglong, respectively. The Pledge was provided by Wanlibao to secure 40% of the principal amount of the Loan and the performance of the obligations thereunder, and the pledge provided by Jiangsu Ganglong shall be used to secure 100% of the principal amount of the Loan and the performance of the obligations thereunder.

On 19 August 2021, Wanlibao and the Lender entered into the Pledge Agreement in connection with the Loan Agreement, pursuant to which Wanlibao agreed to pledge the Pledged Assets in favour of the Lender as security for 40% of the principal amount of the Loan and the performance of the obligations thereunder.

#### **LISTING RULES IMPLICATIONS**

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

Pursuant to Rule 13.16 of the Listing Rules, a general disclosure obligation arises where the financial assistance to affiliated companies of the Company exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. As at the date of this announcement, the Pledge to secure the Loan for the JV exceeds 8% under the assets ratio of the Company as defined under Rule 14.07(1) of the Listing Rules and therefore triggers a general disclosure obligation pursuant to Rule 13.16 of the Listing Rules.

## INTRODUCTION

Reference is made to the announcements of the Company dated 27 October 2020 and 11 November 2020 and the Circular, in relation to, among other things, the formation of the JV by Wanlibao and Huizhou Gangjie in accordance with the terms and conditions of the JV Agreement.

On 2 August 2021, the JV entered into the Loan Agreement with the Lender, pursuant to which the Lender agreed to provide the Loan in the principal amount of up to RMB1.5 billion to the JV at the interest rate of 8.0% per annum. All amounts borrowed by the JV under the Loan shall be used for the development and construction of the project in respect of the Target Land Parcel. More than one loan may be drawn under the Loan Agreement by the JV, and each loan drawn under the Loan Agreement shall be repayable on a day falling 36 months after the date of establishment of the Trusts with the Lender as trustee. The Loan is secured by, among other things, (i) guarantees provided by each of Ganglong (China) and Science City to the Lender on a several basis (i.e. the repayment of 60% and 40% of the principal amount of the Loan and the performance of the obligations thereunder are guaranteed by Ganglong (China) and Science City, respectively); (ii) a first mortgage over the construction in progress on the Target Land Parcel provided by the JV for the benefit of the Lender; and (iii) share pledges provided by each of Wanlibao (i.e. the Pledge) and Jiangsu Ganglong for the benefit of the Lender over the equity interests in the JV held by Wanlibao and Jiangsu Ganglong, respectively. The Pledge was provided by Wanlibao to secure 40% of the principal amount of the Loan and the performance of the obligations thereunder, and the pledge provided by Jiangsu Ganglong shall be used to secure 100% of the principal amount of the Loan and the performance of the obligations thereunder.

The Board announces that, on 19 August 2021, Wanlibao and the Lender entered into the Pledge Agreement in connection with the Loan Agreement, pursuant to which Wanlibao agreed to pledge the Pledged Assets in favour of the Lender as security for 40% of the principal amount of the Loan and the performance of the obligations thereunder.

## **PROVISION OF FINANCIAL ASSISTANCE**

Principal terms of the Pledge Agreement are set out below:

### **Date**

19 August 2021 (after trading hours)

### **Parties**

1. Ping An Trust Co., Ltd.\* (平安信託有限責任公司), as the Lender
2. Guangzhou Wanlibao Industries Holdings Co., Ltd.\* (廣州萬利寶實業控股有限公司), as pledgor

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

### **Subject Matter**

Pursuant to the Pledge Agreement, Wanlibao agreed to pledge the Pledged Assets, being all of its equity interest in the JV (i.e. 40% of the equity interest in the JV) as security for the repayment of 40% of the principal amount of the Loan by the JV under the Loan Agreement and the performance of the obligations thereunder. The Group agreed to provide a pro-rata share pledge in respect of 40% of the principal amount of the Loan such that the liabilities arising from the Loan will only be borne by the Group in proportion to its shareholding in the JV. The principal amount of the Loan of RMB600 million secured by the Pledge represents 40% of the principal amount of the Loan and is proportionate to the shareholding percentage of Wanlibao in the JV (i.e. 40%).

### **Term**

The Pledge shall remain effective for such period until the part of the Loan secured by the Pledge has been fully repaid.

### **Registration Procedures**

Wanlibao shall complete approval and registration procedures in relation to the Pledge, including but not limited to the registration of the Pledge in the register of members of the JV, obtain approval from relevant supervising authorities (if any) and carry out registration procedures in respect of the Pledge at relevant authorities, and be responsible for relevant registration expenses.

## **Disposal of Pledged Assets and Encumbrance**

For so long as the Pledge Agreement remains effective, Wanlibao shall not dispose of all or part of the Pledged Assets, including but not limited to any disposal in the manner of a transfer, exchange, forfeiture, capital contribution, gift, trust, settlement, set-off or re-pledge, or create any third party rights or encumbrances, except with the prior written consent of the Lender.

Wanlibao shall not transfer the Pledged Assets without the prior written consent of the Lender. Should the Lender consent to such transfer, the proceeds from the transfer of the Pledged Assets shall first be utilized towards the repayment of the Loan, after which the remaining amount shall be vested in Wanlibao.

Wanlibao shall not vote for any resolution at a general meeting of the JV which would result in a depreciation of the value of the Pledged Assets without the prior written consent of the Lender.

## **Enforcement**

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

- (i) the Lender fails to receive full payment of the Loan upon maturity (including any acceleration of the maturity date of the Loan declared by the Lender under the Loan Agreement);
- (ii) Wanlibao breaches any of the provisions in the Pledge Agreement or when the Lender is of the opinion that its rights in the Pledged Assets are or may be threatened;
- (iii) there occurs any material adverse change to the Pledged Assets;
- (iv) there occurs any condition under which Wanlibao refuses to restore the value of the Pledged Assets or fails restore the value of the Pledged Assets within a period of time demanded by the Lender or fails to provide new securities approved by the Lender in writing;
- (v) any indication that Wanlibao will not perform its obligations under the Pledge Agreement or Wanlibao's indication by conduct that it will not perform its obligations under the Pledge Agreement;
- (vi) such other circumstance as may in the opinion of the Lender materially affect Wanlibao's ability to perform its obligations under the Pledge Agreement; and
- (vii) such other circumstance as specified under laws and regulations, the Pledge Agreement or the Loan Agreement.

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

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

The JV is held as to 40% of its equity interest by the Group. The principal activity of the JV is property development, including the development and construction of the project in respect of the Target Land Parcel. The Lender is a well-known and leading professional trust service provider and financial institution in the PRC and a subsidiary of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司).

The Target Land Parcel is located in Zengcheng District, a district with leading economic indicators in Guangzhou. The Target Land Parcel is of considerable scale and may be developed for commercial and residential uses. Jiangsu Ganglong is an indirect wholly-owned subsidiary of Ganglong, a listed company in Hong Kong and an established property developer in the Yangtze River Delta Region with extensive experience in the development and sales of properties predominantly for residential use mixed with accompanying ancillary facilities, such as retail units, carparks and ancillary areas. With the Group's familiarity with and long-established presence in the Zengcheng District and state-owned background, and taking into account the cooperation with the Ganglong group 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 Loan will be solely applied towards the development and construction of the project in respect of the Target Land Parcel. As such, the provision of the Pledge by the Group would assist the JV in obtaining financings at reasonable terms to support the continuous development of the project in respect of the Target Land Parcel, which would ultimately benefit the Group as an investor which holds 40% of the equity interest in the JV.

The Pledge provided by the Group to the Lender will only be used as security in respect of the repayment of 40% of the principal amount of the Loan and the performance of the obligations thereunder, which is proportionate to the 40% equity interest held by Wanlibao in the JV. The Company considers the risks arising from the Loan are fairly and reasonably shared by the Group as a non-controlling shareholder of the JV. The Board notes that the Ganglong group, who controls the JV and consolidates its financial results, has provided a pledge over 60% of the equity interest in the JV held by it as a security for the repayment of 100% of the principal amount of the Loan and the performance of relevant obligations thereunder.

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

## **INFORMATION ON PARTIES**

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

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

### **Information on the Lender**

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

### **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**

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

## **LISTING RULES IMPLICATIONS**

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

Pursuant to Rule 13.16 of the Listing Rules, a general disclosure obligation arises where the financial assistance to affiliated companies of the Company exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules. As at the date of this announcement, the Pledge to secure the Loan for the JV exceeds 8% under the assets ratio of the Company as defined under Rule 14.07(1) of the Listing Rules and therefore triggers a general disclosure obligation pursuant to Rule 13.16 of the Listing Rules.

## DEFINITIONS

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

“Board”	the board of Directors;
“Circular”	the circular of the Company dated 14 December 2020 in relation to, among others, the formation of the JV and the transactions contemplated thereunder;
“Company”	Royale Home Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules;
“Directors”	the directors of the Company;
“Ganglong”	Ganglong China Property Group Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6968), being an established property developer in the Yangtze River Delta Region focusing on the development and sales of properties predominantly for residential use mixed with accompanying ancillary facilities, such as retail units, car parks and ancillary areas;
“Ganglong (China)”	Ganglong (China) Property Group Co., Ltd.* (港龍(中國)地產集團有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Ganglong;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;



“Huizhou Gangjie”	Huizhou Gangjie Real Estate Co., Ltd.* (惠州市港傑置業有限公司), a company established in the PRC with limited liability and a subsidiary of Ganglong, being the initial joint venture partner under the JV Agreement. Huizhou Gangjie has transferred all the equity interest in the JV held by it (i.e. 60% of the equity interest in the JV) to Jiangsu Ganglong as at the date of this announcement;
“Independent Third Party(ies)”	person(s) who is(are) independent of and not connected with the Company or its connected persons;
“Jiangsu Ganglong”	Jiangsu Ganglong Huayang Real Estate Co., Ltd.* (江蘇港龍華揚置業有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of Ganglong. It is the joint venture partner in respect of the JV and the owner of 60% of the equity interest in the JV as at the date of this announcement;
“JV”	Guangzhou Gangke Real Estate Co., Ltd.* (廣州港科置業有限公司), a company established in the PRC with limited liability, and a joint venture entity formed by Wanlibao and Huizhou Gangjie in accordance with the terms and conditions of the JV Agreement. The JV is held as to 40% and 60% of its equity interest by Wanlibao and Jiangsu Ganglong as at the date of this announcement;
“JV Agreement”	the joint venture agreement dated 27 October 2020 entered into between Wanlibao and Huizhou Gangjie in relation to the formation of the JV;
“Lender”	Ping An Trust Co., Ltd.* (平安信託有限責任公司), a company established in the PRC with limited liability and a subsidiary of Ping An Insurance (Group) Company of China, Ltd. (中國平安保險(集團)股份有限公司), the shares of which are listed on the Stock Exchange (stock code: 2318) and the Shanghai Stock Exchange (stock code: 601318);
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Loan”	the loan in the principal amount of up to RMB1.5 billion provided by the Lender as trustee out of the trust funds in the Trusts to the JV pursuant to the Loan Agreement;

“Loan Agreement”	the loan agreement dated 2 August 2021 entered into between the JV and the Lender, pursuant to which the Lender shall provide the Loan to the JV;
“Parties”	Wanlibao and Jiangsu Ganglong;
“Pledge”	the pledge over 40% of the equity interest in the JV held by Wanlibao provided by Wanlibao in favour of the Lender pursuant to the terms of the Pledge Agreement to secure the repayment of 40% of the principal amount of the Loan and the performance of relevant obligations thereunder;
“Pledge Agreement”	the pledge agreement dated 19 August 2021 entered into between Wanlibao as pledgor and the Lender as pledgee in relation to the Pledge;
“Pledged Assets”	40% of the equity interest in the JV, being all the equity interest in the JV held by Wanlibao as at the date of this announcement;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Science City”	Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司), a company established in the PRC with limited liability on 21 August 1984 and a controlling shareholder of the Company. The ultimate beneficial owner of Science City is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會);
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company;
“Shareholders”	holders of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Land Parcel”	a parcel of land situated at Hengling Village, Shitan Town, Zengcheng District, Guangzhou* (廣州市增城區石灘鎮橫嶺村) of residential (and commercial) uses with a total land area of approximately 196,435.11 square metres;

“Trusts”	the trusts with the Lender as trustee, under which the Lender shall hold the trust funds on trust for the investors separately engaged by and with the Lender to be utilized for the provision of the Loan under the Loan Agreement;
“Wanlibao”	Guangzhou Wanlibao Industries Holdings Co., Ltd.* (廣州萬利寶實業控股有限公司) (formerly known as Guangzhou Wanlibao Investment Co., Ltd.* (廣州萬利寶投資有限公司)), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company; and
“%”	per cent.

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

Hong Kong, 19 August 2021

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

\* for identification purpose only