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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)**

### **CONTINUING CONNECTED TRANSACTION MASTER DECORATION SERVICES AGREEMENT**

#### **MASTER DECORATION SERVICES AGREEMENT**

On 15 June 2023, the Company has entered into the Master Decoration Services Agreement with Science City, pursuant to which members of the Group will provide Decoration Services to members of the Science City Group for a term commencing on 15 June 2023 and ending on 31 December 2025.

#### **LISTING RULES IMPLICATIONS**

As at the date of this announcement, Science City is through SCHK and parties acting in concert with it interested in an aggregate of 1,945,391,280 Shares (representing approximately 74.86% of the issued share capital of the Company). Therefore, Science City is a controlling shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps for the Decoration Services exceeds 0.1% but all are less than 5%, the Decoration Services constitutes a continuing connected transaction for the Company and are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board announces that on 15 June 2023, the Company has entered into the Master Decoration Services Agreement with Science City, pursuant to which members of the Group will provide Decoration Services to members of the Science City Group for a term commencing on 15 June 2023 and ending on 31 December 2025.

## **MASTER DECORATION SERVICES AGREEMENT**

### **Date**

15 June 2023

### **Parties**

- (i) the Company; and
- (ii) Science City.

### **Principal terms**

Pursuant to the Master Decoration Services Agreement, the Group will provide Decoration Services to members of the Science City Group on a non-exclusive basis, subject to the entering into of individual contracts as agreed between respective members of the Group and the Science City Group.

Members of the Group can also provide Decoration Services to third parties not being a member of the Science City Group and not a connected person of the Group as they think fit.

### **Term**

The Master Decoration Services Agreement shall be effective for a term commencing from 15 June 2023 and ending on 31 December 2025 (both days inclusive).

### **Payment**

The price payable under the Master Decoration Services Agreement will be settled in cash or by way of bank transfer.

The time of payment will be negotiated and determined and agreed between the parties in the individual contracts to be entered into by the parties pursuant to the Master Decoration Services Agreement.

## PRICING PRINCIPLES

Pursuant to the terms of the Master Decoration Services Agreement, the Decoration Services shall be conducted on normal commercial terms, in particular: (i) the Decoration Services will be on terms no less favourable to the Group than terms available to independent third parties based on its internal control measures; (ii) the Decoration Services will be conducted in the ordinary and usual course of business of the Group and after arm's length negotiations; and (iii) the transaction amount of the Decoration Services will not exceed the annual caps.

The prices of the Decoration Services to be provided by the Group to the Science City Group shall be determined with reference to the costs of the Group in providing the relevant Decoration Services plus a profit margin. The terms (including the profit margin) will be determined after arm's length negotiation between the Group and the Science City Group and will in any event be no less favourable to the prevailing market prices of comparable services of similar quality, scope and nature.

The Group will review and compare the prices of Decoration Services offered by the Group to the Science City Group with at least two recent transaction records of comparable services offered by the Group to independent third parties recorded in its trading database.

A senior management personnel in the sales department of the Group will review the prices for Decoration Services offered by the Group to the Science City Group before the entering into of individual contracts pursuant to the Master Decoration Services Agreement.

In the event that the prices of Decoration Services offered by the Group to the Science City Group are less favourable to the Group than those offered by the Group to independent third parties recorded in the trading database of the Group, the Group will not enter into the Decoration Services. The Group will at its best effort further negotiate with the Science City Group for more favourable terms in order to comply with the pricing principles of the Company as disclosed above.

## ANNUAL CAPS

### Annual caps

The annual caps for the Decoration Services under the Master Decoration Services Agreement for each of the period/years ending 31 December 2023, 2024 and 2025 are set out as follows:

	<b>For the period/year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Maximum transaction amount in respect of the Decoration Services under the Master Decoration Services Agreement	74,000	74,000	74,000

Shareholders and potential investors of the Company should note that the above annual caps are not intended, and do not purport, to be an indication of the Group's future performance or profitability. Shareholders or potential investors of the Company should not rely on the annual caps in deciding how or whether or not to deal in the Shares.

There was no historical agreement for the provision of decoration services by members of the Group to members of the Science City entered into before the date of this announcement.

### **Basis of the annual caps**

The annual caps are determined with reference to the (i) internal projection on the demand of members of the Science City Group for the Decoration Services and the Group's estimated capacity, based on the quantity and specifications of property projects of the Science City Group; (ii) the expected specifications and nature of the decoration work to be performed; (iii) the costs of providing the Decoration Services, including the costs of decoration materials, labour and other relevant expenses; (iv) the market and economic conditions during the term of the Master Decoration Services Agreement; and (v) a buffer catering for among others, potential inflation and potential additional demand for the Decoration Services by the Science City Group during the term of the Master Decoration Services Agreement.

## **INFORMATION ON THE PARTIES**

### **Information on Science City**

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

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

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

## **REASONS FOR AND BENEFITS OF THE DECORATION SERVICES**

The Group is principally engaged in, amongst others, the manufacturing and sales of furniture. As disclosed in the annual report of the Company for the year ended 31 December 2022 published on 27 April 2023, the Group will provide high-quality customized furniture, sofas, movable furniture and ancillary services. The Group will further build a complete product supply chain, enhance brand influence in response to market changes, and seize industry development opportunities. In order to expand the Group's services offerings and optimize its business model, the Group intends to also offer one-stop interior refurbishment solutions to its customers. The Group will undertake projects involving the handover of finished units after conducting design, refurbishment and affixation of furniture and fittings in commercial and residential units. The Decoration Services is consistent with the development plan of the Group and would enable the Group to boost the turnover of the Group. The Decoration Services would also enhance the sources of income for the Group and thereby benefiting the operations of the Group.

The Directors (including the independent non-executive Directors) are of the view that the Master Decoration Services Agreement and the transactions contemplated thereunder are entered into in the ordinary and usual course of business of the Group, on normal commercial terms (which were arrived at after arm's length negotiations) and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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

## **INTERNAL CONTROL MEASURES**

In accordance with the Listing Rules, the Company will comply at all times with the applicable provisions under Rules 14A.34 to 14A.59 of the Listing Rules in respect of the Decoration Services. In addition, in order to safeguard the interests of the Company and the Shareholders as a whole, the Group has adopted the following guidelines and principles for monitoring the Decoration Services between the Group and the Science City Group, namely:

- the Group maintains a trading database containing prices of its services and relevant terms and conditions of such transactions. The information in the trading database is obtained in the course of the Group's operations and from the Group's internal sources. The Company will continue to develop and maintain the trading database so as to include pricing information in relation to services provided by the Group in the future. Designated personnel of the sales department of the Group are responsible for the maintenance of the trading database, and the trading database is generally updated on an instantaneous (or as soon as practicable) basis after the materialization or consummation

of a transaction. The Group will monitor and supervise the maintenance of the trading database to ensure that up-to-date records of the terms, prices and transaction records for services provided by the Group are properly kept. The Company will also conduct random checks on the trading database so as to ensure that effective and sound internal control measures are in place so that the Decoration Services are conducted on normal commercial terms with reference to prevailing market terms and are fair and reasonable.

- the Group has established a series of measures and policies to ensure that the transactions will be conducted in accordance with the terms of the Master Decoration Services Agreement, including but not limited to: (i) the relevant business units and departments of the Group will monitor and review the prices and terms in respect of the Decoration Services regularly in order to ensure that the Decoration Services are conducted on normal commercial terms, in accordance with the annual caps set by the Company and the terms are no less favourable to the Group than those available to independent third parties; (ii) the Company will designate specific personnel from the internal control department to monitor the transactions under the Master Decoration Services Agreement and will report to the management of the Company regularly in respect of such transactions; and (iii) the Group will also conduct random internal checks on a quarterly or more frequent basis to ensure that the internal control measures in respect of the transactions under the Master Decoration Services Agreement remain intact and effective.
- the Company will review the transactions with the Science City Group to identify any continuing connected transaction that may be at risk of exceeding the annual cap, and any measures to be taken in respect of such transaction(s).
- the Company will report the transactions under the Master Decoration Services Agreement to the independent non-executive Directors during each of the audit committee meetings (if necessary) according to the audit committee meeting agenda.
- the transactions contemplated under the Master Decoration Services Agreement will be reviewed by the independent non-executive Directors every year and reported in the annual reports of the Company, which provides a check and balance to ensure that the transactions were conducted in accordance with the terms of the Master Decoration Services Agreement, on normal commercial terms (or terms no less favourable than terms available to independent third parties), and in accordance with the pricing principles of the Company and the annual caps pursuant to the Listing Rules.
- the Company's independent auditor will be engaged to report on the continuing connected transactions under the Master Decoration Services Agreement, which would, for the purpose of Rule 14A.56 of the Listing Rules, assist the Board in ensuring that the transactions under the Master Decoration Services Agreement: (i) have proper Board approval; (ii) have in all material respects, been conducted in accordance with the pricing policies of the Group; (iii) were entered into, in all material respects, in accordance with the Master Decoration Services Agreement; and (iv) have not exceeded the annual caps set by the Company.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, Science City is through SCHK and parties acting in concert with it interested in an aggregate of 1,945,391,280 Shares (representing approximately 74.86% of the issued share capital of the Company). Therefore, Science City is a controlling shareholder of the Company and a connected person of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the annual caps for the Decoration Services exceeds 0.1% but all are less than 5%, the Decoration Services constitutes a continuing connected transaction for the Company and are subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## DEFINITIONS

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

“acting in concert”	has the same meaning ascribed to it in the Takeovers Code
“Board”	the board of Directors
“Charming Future”	Charming Future Holdings Limited, a beneficial owner of 209,768,922 Shares, representing 8.07% of the issued share capital of the Company as at the date of this announcement and is wholly-owned by Mr. Tse. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“Company”	Royale Home Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange
“Concert Group Agreement”	the concert group agreement dated 24 May 2019 entered into amongst SCHK, Mr. Tse, Leading Star, Crisana and Charming Future
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“controlling shareholder”	has the meaning ascribed to it in the Listing Rules



“Crisana”	Crisana International Inc., a beneficial owner of 165,840,120 Shares, representing 6.38% of the issued share capital of the Company as at the date of this announcement, and is wholly-owned by Mr. Tse. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“Decoration Services”	the decoration services to be provided by members of the Group to members of the Science City Group, including undertaking interior design, decoration, refurbishment, installation and fittings works as contractor in property development projects of the Science City Group pursuant to the Master Decoration Services Agreement
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Leading Star”	Leading Star Global Limited, a company wholly-owned by Mr. Tse as at the date of this announcement and the direct beneficial owner of 51,971,227 Shares, representing 2.00% of the issued share capital of the Company as at the date of this announcement. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Master Decoration Services Agreement”	the master decoration services agreement dated 15 June 2023 entered into between the Company and Science City, pursuant to which members of the Group will provide Decoration Services to members of the Science City Group
“Mr. Tse”	Mr. Tse Kam Pang, being an executive Director and the direct beneficial owner of 282,948,047 Shares, representing 10.89% of the issued share capital of the Company as at the date of this announcement. He is also deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement



“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China, and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SCHK”	Science City (Hong Kong) Investment Co. Limited, a direct wholly-owned subsidiary of Science City and the direct beneficial owner of 1,234,862,964 Shares, representing 47.52% of the issued share capital of the Company as at the date of this announcement. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement
“Science City”	Science City (Guangzhou) Investment Group Co., Ltd.* (科學城（廣州）投資集團有限公司), a company established in the PRC with limited liability on 21 August 1984 and a controlling shareholder of the Company. The ultimate beneficial owner of Science City is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Science City Group”	Science City together with its subsidiaries but excluding the Group
“Share(s)”	ordinary share(s) of HK\$0.10 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	The Code on Takeovers and Mergers
“%”	per cent.

By order of the Board  
**Royale Home Holdings Limited**  
**Yang Jun**  
*Chairman, Executive Director  
and Chief Executive Officer*

Hong Kong, 15 June 2023

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

*\* For identification purposes only*