Royal China International Holdings Limited
皇中國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1683)

(1) DISCLOSEABLE AND CONNECTED TRANSACTION: ACQUISITION OF INTEREST IN A NON WHOLLY-OWNED SUBSIDIARY; AND (2) CHANGE IN USE OF PROCEEDS

THE ACQUISITION

On 13 April 2018 (after trading hours), the Purchaser, the Vendor and the Target entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to acquire 49% of equity interest in the Target from the Vendor, for a cash consideration of HK$4,900,000. Upon the Completion, the Target will become an indirect wholly-owned subsidiary of the Company.

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 Acquisition are greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules.

As at the date of this announcement, the Vendor owns 49% equity interest in Target (an indirect non-wholly owned subsidiary of the Company). As such, the Vendor is a connected person of the Company at the subsidiary level as defined under the Listing Rules and accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given: (i) the Board has approved the Acquisition Agreement and the Acquisition contemplated thereunder; and (ii) the Independent Non-executive Directors have confirmed that the terms of the Acquisition Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Acquisition contemplated under Acquisition Agreement is subject to the reporting and announcement requirements only but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As the Completion is subject to the satisfaction of the Conditions, the Acquisition may or may not proceed to Completion. Shareholders and potential investors of the Company should exercise caution when dealing in Shares or any securities of the Company.

CHANGE IN USE OF PROCEEDS

Having considered the performance and requirements of Group's construction and ancillary services business and with a view to better deploying the resources of the Group, the Board has decided to re-allocate HK$45 million, representing approximately 45% of the net proceeds from the Company's Share offer in September 2015, to working capital for awarded, ongoing and future construction and ancillary services projects of the Group of HK$25 million and to additional working capital and other general corporate purpose of HK$20 million. The originally planned usage of such amount for financing the potential acquisition of companies and/or businesses which are primary engaged in DFD works that complement our existing business so as to expand our contracting capabilities will be withheld and/or financed by internally generated resources of the Group.

Reference is made to the announcement of the Company dated 12 July 2017 in relation to the subscription agreement in the share capital of the Target between the Purchaser and the Vendor (the "**Subscription Agreement**"). Upon completion of the Subscription Agreement, the Purchaser and the Vendor entered into a shareholders' agreement regarding their respective rights and obligations in the Target (the "**Shareholders' Agreement**").

The Board is pleased to announce that on 13 April 2018 (after trading hours), the Purchaser, the Vendor and the Target, entered into the Acquisition Agreement, pursuant to which the Purchaser conditionally agreed to acquire 49% of equity interest in the Target from the Vendor for a cash consideration of HK$4,900,000. Upon the Completion, the Target will become an indirect wholly-owned subsidiary of the Company.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are set out below:

Date

13 April 2018

Parties

1. The Purchaser;
2. The Vendor; and
3. The Target.

Subject Matters

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to acquire and the Vendors has conditionally agreed to sell 4,900,000 Sale Shares, representing 49% issued share capital of the Target.

The Consideration

The consideration for the Sale Shares shall be HK$4,900,000 (the "**Consideration**") and will be settled in cash by the Purchaser within 7 business days after the fulfillment of the conditions precedent of the Acquisition Agreement and the following documents are received by the Purchaser from the Vendor (whichever is later):

(1) the signed Acquisition Agreement;

(2) the instrument of transfer of the Sale Shares;

(3) the bought and sold notes of the Sale Shares; and

(4) the relevant documents to change the directors of the Target.

The Consideration was agreed after arm's length negotiation between the Purchaser and the Vendor with reference to the consolidated net asset value of the Target Group as at 31 December 2017. The Board is of the view that the Consideration is fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Consideration will be financed by the Group's internal funding.

Conditions Precedent

Completion is subject to the satisfactory fulfillment of the following conditions precedent (the "**Conditions**"):

(1) No order or decision issued by any governmental authority, regulatory agency, court or judicial department or other agency of a similar nature leads to the acquisition of Sale Shares contemplated under the Acquisition Agreement to be invalid, unenforceable, illegal or prohibited from performing, or causes the relevant parties to burden or take any additional conditions or obligations other than those stipulated under the Acquisition Agreement.

(2) As of the effective date of this Agreement, the Target Group does not have any litigation, arbitration, administrative penalties or other penalties, any dispute of rights and third party claims caused by the Vendor's violation of the Shareholders' Agreement and the Subscription Agreement that may cause to impair the net assets of the Target Group.

(3) The Target has passed the shareholders' resolutions to approve the Purchaser to acquire Sale Shares from the Vendor according to the Acquisition Agreement, and passed the resolution of the board of directors that designates and authorizes the directors to sign and execute the Acquisition Agreement on behalf of the Target.

(4) The Purchaser and/or its associated companies make relevant disclosures and announcement (if applicable) in accordance with the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

The parties shall exercise their best endeavour to procure fulfillment of the Conditions. In the event that the Conditions cannot be fulfilled on or before 30 April 2018 (or such later date as the parties thereto may agree), the Acquisition Agreement shall cease to have any effect (save as to clauses in relation to confidentiality, notices, stamp duty and costs and governing law and jurisdiction) and neither parties shall bear any obligations or duties save for antecedent breach.

Completion

Completion shall take place within the tenth business day immediately after the last Condition has been satisfied or such other date as the parties may agree in writing.

Upon Completion, the Target will become indirect wholly-owned subsidiary of the Company and the Shareholders' Agreement will automatically cease to have any effect.

INFORMATION ABOUT THE PURCHASER AND THE VENDOR

The Purchaser is an indirect wholly-owned subsidiary of the Company. The principal business activity of the Purchaser is investment holdings and is holding 51% interest in the Target.

The Vendor, a top business jet management company in PRC, is mainly engaged in business jet management business, providing customers with services including flight scheduling, aircraft maintenance and crew management.

The Vendor holds 49% interest in the Target and the Vendor is a connected person of the Company at the subsidiary level as defined under Chapter 14A the Listing Rules. Save for holding 49% interest in the Target, to the best of the Directors' knowledge, information and belief, having made all reasonable enquires, the Vendor and its ultimate beneficial owners are otherwise third parties independent of the Company and its connected persons.

INFORMATION ABOUT THE TARGET

The Target is a limited liability company incorporated in Hong Kong and an indirect 51%-owned subsidiary of the Company immediately prior to Completion. The Target and its PRC subsidiary are principally engaged in business jet management business.

Financial information of the Target Group

Set out below is the unaudited consolidated financial information of the Target Group for the period from 7 March 2017 (date of incorporation) to 31 December 2017:

	For the period from 7 March 2017 (date of incorporation) to 31 December 2017
	HK$'000
	(Unaudited)
Net profit before tax	481
Net profit after tax	390

The unaudited consolidated net asset value of the Target Group as at 31 December 2017 was approximately HK$10,391,000.

As at 31 March 2018, the Target Group is indebted to the Vendor of trade payables approximately HK$4.1 million and has deposited approximately HK$4.7 million to the Vendor as deposits for flight management services. The Target Group shall repay such trade payables and the Vendor shall return such deposits in accordance with the terms thereof after Completion.

REASONS FOR AND BENEFITS OF THE ACQUISITION

Due to the internal strategic reason of the Vendor, the Vendor decided to realise its equity investment in the Target and has approached the Group regarding the Acquisition.

The Board considered that the Acquisition in the Target will benefit the Group by entitling entire operating results of the Target being consolidated with that of the Group. The revenue and profit after tax of the Target Group from 7 March 2017 (date of incorporation) to 31 December 2017 was approximately HK$20.0 million and HK$390,000 respectively.

The terms of the Acquisition were determined after arm's length negotiation between the Vendor and the Purchaser and having considered the reasons for and benefits of the Acquisition as mentioned above. All of the Directors (including the Independent Non-executive Directors) are of view of that the Acquisition is in the interest of the Company and the Shareholders as a whole and the terms of the Acquisition Agreement are fair and reasonable and on normal commercial terms. Accordingly, the Directors have unanimously approved the Acquisition Agreement and the Acquisition contemplated thereunder. None of the Directors had material interest in the Acquisition and hence no Director was required to abstain from voting on the resolution approving the Acquisition Agreement and/or the Acquisition contemplated thereunder.

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 Acquisition are greater than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company under Chapter 14 of the Listing Rules

As at the date of this announcement, the Vendor owns as 49% equity interest in the Target. As such, the Vendor is a connected person of the Company at the subsidiary level as defined under the Listing Rules and accordingly, the Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Given (i) the Board has approved the Acquisition Agreement and the Acquisition contemplated thereunder; and (ii) the Independent Non-Executive Directors have confirmed that the terms of the Acquisition Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, the Acquisition contemplated under Acquisition Agreement is subject to the reporting and announcement requirements only but is exempt from the circular, independent financial advice and independent shareholders' approval requirements under Rule 14A.101 of the Listing Rules.

As the Completion is subject to the satisfaction of the Conditions, the Acquisition may or may not proceed to Completion. Shareholders and potential investors of the Company should exercise caution when dealing in Shares or any securities of the Company.

UPDATE ON USE OF PROCEEDS

Reference is made to section headed "Future plans and use of proceeds" of the prospectus of the Company dated 21 August 2015 and the announcements of the Company dated 9 May 2017, 12 July 2017 and 14 September 2017.

As at the date of this announcement, the Board would like to provide an update on the use of proceeds as follows:

Planned use of proceeds	Original allocation as disclosed in the prospectus of the Company *HK$' million*	Revised allocation as announced on 12 July 2017 *HK$' million*	Utilisation up to the date of this announcement *HK$' million*	Remaining unutilized balances as at the date of this announcement *HK$' million*	Proposed revised allocation as at the date of this announcement *HK$' million*
Financing the potential acquisitions of companies and/or businesses which are primarily engaged in DFD works that complement our existing business to expand our contracting capabilities (the "**Potential Acquisitions**")	45.0	45.0	–	45.0	–
Financing the establishment of new regional offices in the PRC	20.0	20.0	–	20.0	20.0
Promoting our brand by strengthening our marketing efforts to increase our market share	15.0	–	–	–	–
Recruiting high caliber talents in management, design, decoration, finance, sales and marketing and enhancing internal training to support future growth	10.0	4.9	4.9	–	–
Additional working capital and other general corporate purposes	10.0	10.0	10.0	–	20.0 (in addition to HK$10 million utilized)
Precious metal trading business	–	15.0	12.0	3.0	3.0
Payment of the subscription price under the subscription agreement as disclosed in the announcement dated 12 July 2017	–	5.1	5.1	–	–
Working capital for awarded, ongoing and future construction and ancillary services projects of the Group					25.0
	100.0	100.0	32.0	68.0	68.0

PROPOSED CHANGE IN USE OF PROCEEDS

As shown above, the substantial portion of the proceeds of approximately HK$68.0 million from listing remains unutilized due to unfavorable market conditions for residential property market in Hong Kong and China. In recent years, Hong Kong government's demand curb measures (including the tightening of the mortgage for residential properties and sharp rise in property stamp duty to 15% adopted by Hong Kong government) and interest rate hikes in the United States of America increases the uncertainty for Hong Kong residential property market. Moreover, the increasing competition from China's property developers for residential property projects in Hong Kong may adversely affect the future performance of Hong Kong based property developers which are the major customers of the Group. Furthermore, tightening property purchase policies by the PRC authorities may also adversely affect the PRC's residential property market.

After considering the uncertainties for residential property markets in Hong Kong and the PRC and the corresponding business risks by acquisition of companies and/or businesses which are primarily engaged in DFD works, the Board decided to strengthen our construction and ancillary services through the organic growth instead of acquisition.

As such, the Board anticipates that the unutilized proceeds may not be used for its original purpose for financing the Potential Acquisitions in the near future.

In the year of 2017, the Group started to broaden its customers base to corporate customer which demand our construction and ancillary services for their office premises in Hong Kong. With reference to announcements dated 16 October 2017, 7 November 2017 and 15 November 2017, the Group awarded contracts of HK$123.5 million for design and build works for residential property projects and office premises and substantial works of these projects will be conducted and completed in 2018. The Group is eager to acquire more projects of construction and ancillary services in 2018.

In order to better deploy the resources of the Group, the Board decided to re-allocate HK$45 million which is originally planned for financing the Potential Acquisitions to working capital for awarded, ongoing and future construction and ancillary services projects of HK$25 million and to additional working capital and other general corporate purposes which include rental expenses for office premise, directors' remuneration, staff salary and other corporate expenses of HK$20 million. The original plans for the Potential Acquisitions will be withheld and/or financed by internally generated resources of the Group.

The Board considers that the aforesaid proposed change in use of proceeds is in the interests of the Group and the Shareholders as a whole.

DEFINITIONS

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

"Acquisition"	the acquisition of the Sale Shares by the Purchaser as contemplated under the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 13 April 2018 and entered into among the Vendor, the Purchaser and the Target in relation to the Acquisition
"associates"	has the meaning ascribed to this term under the Listing Rules
"Board"	the board of Directors
"Company"	Royal China International Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on Main Board of the Stock Exchange
"Completion"	completion of the Acquisition in accordance with the terms of the Acquisition Agreement
"connected person(s)"	has the meaning ascribed to this term under the Listing Rules
"Directors"	directors of the Company
"Group"	the Company and its subsidiaries
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange
"PRC"	the People's Republic of China
"Purchaser"	Smart Empire Global Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
"Sale Shares"	4,900,000 shares in the share capital of the Target, representing 49% of the issued share capital of the Target

“Share(s)”	ordinary share(s) of HK$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Himalaya Business Aviation Limited, a company incorporated in Hong Kong with limited liability and an indirect 51%-owned subsidiary of the Company
“Target Group”	the Target and its subsidiary
“Vendor”	BAA Jet Management Limited, a company incorporated in Hong Kong with limited liability
“HK$”	Hong Kong dollars, the lawful currency for the time being of Hong Kong
“%”	per cent.

By order of the Board
Royal China International Holdings Limited
Chairman
DENG Kui

Hong Kong, 13 April 2018

As at the date of this announcement, the Board comprises Mr. DENG Kui and Mr. LEONG Hing Loong Rudoff as executive Directors; and Mr. LIU Gang, Mr. YU Haizong and Ms. AN Yiqing as independent non-executive Directors.