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皇中國際控股有限公司
ROYAL CHINA INTERNATIONAL HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1683)

**(1) CONTINUING CONNECTED TRANSACTIONS IN RELATION
TO PROVISION OF BUSINESS JET MANAGEMENT SERVICES;
AND (2) UPDATE ON USE OF PROCEEDS**

**CONTINUING CONNECTED TRANSACTIONS IN RELATION TO
PROVISION OF BUSINESS JET MANAGEMENT SERVICES**

On 14 September 2017 (after trading hours), HBA, an indirect non wholly-owned subsidiary of the Company and BAA, a shareholder of 49% of the equity interest of HBA, entered into the Services Framework Agreement in relation to the provision of the Business Jet Management Services by BAA to HBA, for a period commencing from 15 September 2017 and ending on 31 December 2019.

Since none of the Directors has any material interest in the Services Framework Agreement and continuing connected transactions contemplated thereunder, none of the Directors has abstained from voting on the board resolution approving the Services Framework Agreement and the continuing connected transactions contemplated thereunder.

LISTING RULES IMPLICATIONS

As at the date of this announcement, HBA is an indirect non wholly-owned subsidiary of the Company. BAA is a shareholder of HBA holding 49% of the total number of issued shares of HBA, and as such, BAA is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. Therefore, the Business Jet Management Services contemplated under the Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For each of the financial years ending 31 December 2017, 2018 and 2019, it is expected that the amount of service fees which may be charged by BAA for the provision of Business Jet Management Services to HBA shall not exceed US\$3.1 million, US\$11.2 million and US\$11.8 million (which is equivalent to approximately HK\$24.0 million, HK\$87.6 million and HK\$91.9 million) respectively pursuant to the Services Framework Agreement.

As (i) BAA is a connected person of the Company at the subsidiary level; (ii) the Board has approved the continuing connected transactions and (iii) the independent non-executive Directors have confirmed that the terms of the continuing connected transactions, being in the Group's ordinary and usual course of business, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, according to Rule 14A.101 of the Listing Rules, the continuing connected transactions contemplated under each of the Services Framework Agreement are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements.

UPDATE ON USE OF PROCEEDS

Having considered the performance and requirements of the Group's one-stop interior design solution business and with a view to better deploy the resources of the Group, the Board decided to re-assess the funding requirements for (i) HK\$45 million which was originally planned to be used for financing the potential acquisition of companies and or/business which are primary engaged in DFD works that complement our existing business so as to expand our contracting capabilities, (ii) HK\$20 million which was originally planned to be used for financing the establishment of new regional offices in the PRC and (iii) HK\$4.9 million which was originally planned to be used for recruiting high caliber talents in management, design, decoration, finance, sales and marketing and enhance internal training to support the future growth. Meanwhile, the Board decided to assess the funding requirement of newly explored business opportunities in aviation and traveling and financing services which is expected to broaden the Group's source of income and enhance its business development.

BACKGROUND

Reference is made to the announcements of the Company dated 12 July 2017 and 6 September 2017 respectively in relation to, among others, the voluntary announcements of the two aircraft management agreements signed between HBA, an indirect non wholly-owned subsidiary of the Company and a lessee, pursuant to which the lessee has agreed to engage HBA to manage two aircrafts for a prescribed term (collectively, the "Announcements").

SERVICES FRAMEWORK AGREEMENT

On 14 September 2017 (after trading hours), BAA and HBA entered into the Services Framework Agreement in relation to the provision of the Business Jet Management Services by BAA to HBA, for a period from 15 September 2017 to 31 December 2019.

Further details of the Services Framework Agreement are set out below:

Date of the Services Framework Agreement

14 September 2017 (after trading hours)

Parties of the Services Framework Agreement

- (1) BAA, as service provider
- (2) HBA

Term: from 15 September 2017 to 31 December 2019 (both dates inclusive), during which the parties may from time to time enter into specific agreements in respect of the Business Jet Management Services, which shall be subject to the terms stipulated in the Services Framework Agreement

Scope of the Business Jet Management Services: Under the Services Framework Agreement, BBA shall provide the following Business Jet Management Services to HBA as required, and to the satisfaction of HBA, including but not limited to and subject to the terms of the specific agreements:

- (a) aircraft maintenance and repairs;
- (b) annual aircraft examination and permit management;
- (c) crew management, including flight crew license management, training and health checks;
- (d) ground agency services arrangement;
- (e) flight route design and applications;
- (f) obtaining all permits required for aircraft landings and flight route;
- (g) arranging transportation and accommodation for crew members and engineers; and
- (h) any other aircrafts related services agreed by both parties and necessary services required in emergency.

Pricing and payment: Pursuant to the Services Framework Agreement, the Service Fees payable for the Business Jet Management Services shall be determined by the parties through arm's length negotiations with reference to the then prevailing market rate of similar services in the market, and shall be fair and reasonable and no less favourable to HBA than those offered by independent third parties.

Annual Caps

For each of the financial years ending 31 December 2017, 2018 and 2019, it is expected that the amount of Service Fees which may be charged by BAA for the provision of Business Jet Management Services to HBA under the Services Framework Agreement shall not exceed US\$3.1 million, US\$11.2 million and US\$11.8 million (which is equivalent to approximately HK\$24.0 million, HK\$87.6 million and HK\$91.9 million) respectively.

The proposed Annual Caps are set out as follows:

	For the financial year ending		
	31 December		
	2017 (Note)	2018	2019
	<i>HK\$ million</i>	<i>HK\$ million</i>	<i>HK\$ million</i>
Proposed Annual Caps	24.0	87.6	91.9

Note: For the period from 15 September 2017 to 31 December 2017.

In determining the Annual Caps, the Company has taken into consideration the Service Fees in view of the age, use and model of each of the Business Jet, the number of aircraft management agreements entered, the services to be subcontracted to BAA and the inflation rate.

Should the fees payable by HBA exceed the above Annual Caps for the Services Framework Agreement in any year during the term of the Services Framework Agreement, the Company will revise the Annual Caps in compliance with the relevant provisions under Chapter 14A of the Listing Rules.

REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Company is incorporated in the Cayman Islands and is an investment holding company. The Group is principally engaged in one-stop integrated interior design solutions including design, fit out and decoration, overall project management, business jet management and service of aircraft sales.

As disclosed in the announcement of the Company dated 12 July 2017, through subscription of shares in HBA, the Group invited BAA as a substantial shareholder of HBA in order to leverage on its reputation, expertise and extensive experience in the business jet management. After entering into the Aircraft Management Agreements by HBA on 12 July 2017 and 31 August 2017, HBA decided to subcontract part of such aircraft management service to BAA by entering into the Services Framework Agreement to rely on the expertise in aircraft management of BAA and thus improve the efficiency and costs effectiveness of the provision of such services of the Group.

As disclosed in the announcement of the Company dated 9 May 2017 and various previous announcements, the Board has decided to explore business opportunities in aviation and traveling business and financing services. The aviation and travel business included but not limited to business jet management, service of aircraft sales and piloting training service. The Board is of the view that it is in the interests of the shareholders to subcontract part of business jet management services to BAA having considered the current operational scale of the Group.

The terms and conditions of each of the Services Framework Agreement were negotiated between the parties thereto on an arm's length basis. BAA is a shareholder holding 49% of the equity interest of HBA, an indirect non wholly-owned subsidiary of the Company. Therefore, BAA is a connected person of the Company at the subsidiary level under Rule 14A.06(9) of the Listing Rules. Save for the aforesaid and to the best of the knowledge, information and belief of the Directors after having made all reasonable enquiries, as at the date of this announcement, BAA is an independent third party of the Company and its connected person within the meaning of the Listing Rules. The Directors (including the independent non-executive Directors) are of the view that the terms and conditions of the Services Framework Agreement and the Annual Cap are fair and reasonable and in the interests of the Shareholders as a whole, and the continuing connected transactions contemplated under the Service Framework Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Since none of the Directors has any material interest in the Services Framework Agreement and continuing connected transactions contemplated thereunder, none of the Directors has abstained from voting on the board resolution approving the Services Framework Agreement and the continuing connected transactions contemplated thereunder.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, HBA is a non wholly-owned subsidiary of Smart Empire Global Limited, an indirect wholly-owned subsidiary of the Company. BAA is a shareholder of HBA holding 49% of the equity interest of HBA, and as such, BAA is a connected person of the Company at the subsidiary level. Therefore, the Business Jet Management Services contemplated under the Services Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) BAA is a connected person of the Company at the subsidiary level; (ii) the Board has approved the continuing connected transactions and (iii) the independent non-executive Directors have confirmed that the terms of the continuing connected transactions, being in the Group's ordinary and usual course of business, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole, according to Rule 14A.101 of the Listing Rules, the continuing connected transactions contemplated under the Services Framework Agreement are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and shareholders' approval requirements.

GENERAL INFORMATION

The principal activity of the Company is investment holding. The Group is principally engaged in one-stop integrated interior design solutions including design, fit out and decoration, overall project management, business jet management and service of aircraft sales.

BAA, a top business jet management company in the PRC, is mainly engaged in business jet management business, providing service to customers including flight scheduling, aircraft maintenance and crew management.

HBA is a limited company incorporated in Hong Kong and an indirect non wholly-owned subsidiary of the Company. HBA is principally engaged in business jet management business.

UPDATE ON USE OF PROCEEDS

Reference is made to the 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 and 12 July 2017.

As of 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 <i>HK\$ million</i>	Revised allocation <i>HK\$ million</i>	Utilisation <i>HK\$ million</i>	Remaining balances <i>HK\$ million</i>
Financing the potential acquisition of companies and or/businesses which are primary engaged in DFD works and the complement our existing business so as to expand our contracting capabilities	45.0	45.0	–	45.0
Financing the establishment of new regional offices in the PRC	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 enhance 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	–
Precious metal trading business	–	15.0	11.3	3.7
Payment of the subscription price under the subscription agreement of HBA dated 12 July 2017	–	5.1	5.1	–
	100.0	100.0	26.4	73.6
	100.0	100.0	26.4	73.6

As shown above, substantial portion of the proceeds from listing remains unutilized due to the unfavourable sentiment in the property market which in turn adversely affects the interior design solutions business. During the current financial period, the Hong Kong property market has suffered from various unfavorable market conditions such as the Hong Kong government's demand to curb measures (including the tightening of the mortgage and increase in property stamp duty), the interest rate hikes in the United States and tightening property purchase policies by the PRC authorities. As a result, the Board has been unable to discover reasonable prospect in the interior design solutions market.

With a view to better deploy and utilize our proceeds from listing, the Group, while maintaining its interior design solutions business, is considering extending the scope of proceeds usage to other existing business segments of the Group, namely aviation and traveling business and financing services. The aviation and traveling business includes but not limited to business jet management and service of aircraft sales. The financing services include but not limited to aircraft leasing and asset management. Such extension of scope of proceeds usage would also be considered in the trading of aviation fuel, pilot training service and aviation equipment and parts and the precious metal trading business, areas in which the Group is exploring business opportunities as previously disclosed in the announcement of the Company dated 6 September 2017. The Board is optimistic about the prospect of these business segments and believes that they would broaden the Group’s source of income and enhance its business development in the light of the uncertain property market in Hong Kong.

The Company would keep shareholders and potential investors informed on any actual proposal on the use of proceeds.

DEFINITIONS

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

- “Aircraft Management Agreements” collectively, the aircraft management agreements entered into between HBA and the lessee of the Business Jets as disclosed (i) in the announcement of the Company dated 12 July 2017; and (ii) the announcement of the Company dated 6 September 2017;
- “Annual Caps” the respective annual caps of the continuing connected transactions for each of the three years ending 31 December 2017, 2018 and 2019
- “BAA” BAA Jet Management Limited, is a company incorporated in Hong Kong with limited liability and a connected person of the Company at the subsidiary level, and mainly engaged in business jet management business, providing service to customers including flight scheduling, aircraft maintenance and crew management
- “Business Jets” or each, a “Business Jet” collectively, the business jets managed under the Aircraft Management Agreements;

“Business Jet Management Services”	the provision of business jet management services by BAA as service provider to HBA pursuant to the Services Framework Agreement, which is subcontracted from the Aircraft Management Agreements
“Company”	Royal China International Holdings Limited, is a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	collectively, the Company and its subsidiaries for the time being
“HBA”	Himalaya Business Aviation Limited, is a company incorporated in Hong Kong with limited liability and an indirect non wholly-owned subsidiary of the Company
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Services Framework Agreement”	the services framework agreement entered into between HBA and BAA (as service provider) on 14 September 2017 in relation to the provision of the Business Jet Management Services by BAA to HBA for a term commencing on 15 September 2017 and ending on 31 December 2019

“Service Fees”	the amount of service fees which may be charged by BAA for the provision of Business Jet Management Services to HBA under the Services Framework Agreement
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent.

For the purposes of this announcement, unless otherwise indicated, the exchange rate at US\$1 = HKD 7.8 has been used, where applicable, for the purpose of illustration only and does not constitute a presentation that any amounts were or may have been exchanged at this or any other rates at all.

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

Hong Kong, 14 September 2017

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