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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)

**INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2021**

RESULTS

The board of directors (the “Board”) of Royale Home Holdings Limited (the “Company”) announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2021 (the “Period”) together with the comparative figures for the corresponding period in 2020. The interim results for the Period had been reviewed by the audit committee of the Company and approved by the Board.

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
REVENUE	4	442,479	220,639
Cost of sales		<u>(375,392)</u>	<u>(231,781)</u>
Gross profit/(loss)		67,087	(11,142)
Other income and gains	4	21,484	9,602
Selling and distribution expenses		(59,493)	(57,322)
Administrative expenses		(70,324)	(63,888)
Finance costs	6	(45,520)	(7,102)
Share of profits and losses of:			
Associates		<u>(526)</u>	<u>(2,086)</u>
LOSS BEFORE TAX	5	(87,292)	(131,938)
Income tax expenses	7	<u>–</u>	<u>–</u>
LOSS FOR THE PERIOD		<u>(87,292)</u>	<u>(131,938)</u>
ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		(83,279)	(131,291)
NON-CONTROLLING INTERESTS		<u>(4,013)</u>	<u>(647)</u>
		<u>(87,292)</u>	<u>(131,938)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		<u>HK(3.205) cents</u>	<u>HK(5.052) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME*For the six months ended 30 June 2021*

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	(87,292)	(131,938)
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	<u>25,359</u>	<u>(27,184)</u>
Total comprehensive loss for the period	<u>(61,933)</u>	<u>(159,122)</u>
Attributable to:		
Owners of the parent	(59,502)	(155,514)
Non-controlling interests	<u>(2,431)</u>	<u>(3,608)</u>
	<u>(61,933)</u>	<u>(159,122)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

		30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment		880,406	880,617
Investment properties		483,063	483,063
Right-of-use assets		333,608	344,863
Goodwill		34,482	34,482
Intangible assets		6,160	8,195
Investment in associates		1,464,668	752,093
Total non-current assets		3,202,387	2,503,313
CURRENT ASSETS			
Inventories		289,550	265,850
Trade receivables	10	48,915	37,808
Prepayments, deposits and other receivables		1,032,078	1,769,874
Restricted cash		189	187
Cash and cash equivalents		886,552	236,930
Total current assets		2,257,284	2,310,649
CURRENT LIABILITIES			
Trade payables	11	47,078	99,445
Other payables and accruals		175,642	202,400
Interest-bearing bank and other borrowings		505,907	249,369
Loan from an associate		87,541	106,872
Loan from the ultimate holding company		–	178,121
Loan from non-controlling interests		2,773	2,740
Loans from a director		109,128	145,000
Dividend payables		259,856	–
Tax payable		163,019	161,092
Total current liabilities		1,350,944	1,145,039
NET CURRENT ASSETS		906,340	1,165,610
TOTAL ASSETS LESS CURRENT LIABILITIES		4,108,727	3,668,923

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	4,108,727	3,668,923
NON-CURRENT LIABILITIES		
Medium term bonds	35,025	34,050
Interest-bearing bank and other borrowings	925,292	91,947
Loan from non-controlling interests	39,529	39,062
Lease liabilities	49,996	49,405
Deferred tax liabilities	410,349	405,863
Deferred government grant	45,944	45,402
Total non-current liabilities	1,506,135	665,729
Net assets	2,602,592	3,003,194
EQUITY		
Equity attributable to owners of the parent		
Share capital	259,856	259,856
Reserves	2,212,964	2,611,135
	2,472,820	2,870,991
Non-controlling interests	129,772	132,203
Total equity	2,602,592	3,003,194

NOTES TO FINANCIAL STATEMENTS

At 30 June 2021

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2021 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements for the Period do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual financial statements for the year ended 31 December 2020.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2020, except for the adoption of the following revised Hong Kong Financial Reporting Standards (“HKFRSs”) for the first time for the current period’s financial information.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The nature and impact of the revised HKFRSs are described below:

- (a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate (“RFR”). The phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity’s financial instruments and risk management strategy.

The Group had certain interest-bearing bank borrowings denominated in Hong Kong dollars and foreign currencies based on the Hong Kong Interbank Offered Rate and various Interbank Offered Rates as at 30 June 2021. Since the interest rates of these borrowings were not replaced by RFRs during the period, the amendment did not have any impact on the financial position and performance of the Group. If the interest rates of these borrowings are replaced by RFRs in a future period, the Group will apply this practical expedient upon the modification of these borrowings provided that the “economically equivalent” criterion is met.

- (b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted.

3. OPERATING SEGMENT INFORMATION

The chief operating decision-makers mainly include executive directors of the Company. They review the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports.

In view of the increased scale and business activities and to help investors better understand the Group's revenue structure and segment results, a new segment named "Hotel operations" and "Development properties for sales and property investments" have been separated from "Manufacture and sale of furniture" segment from the Interim of 2021 onwards. The comparative figures have been restated to conform with the new presentation. The Board believes that the below changes in segment information better reflect future business development of the Group.

- (a) The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 June 2021 (Unaudited)	Manufacture and sale of furniture HK\$'000	Development properties for sales and property investments HK\$'000	Hotel operations HK\$'000	Trading HK\$'000	Total HK\$'000
Segment revenue					
Sale to external customers	269,978	–	12,688	159,813	442,479
Reconciliation:					
Revenue from continuing operations					442,479
Segment results	(10,888)	(54,101)	(9,308)	(47)	(74,344)
Reconciliation:					
Reportable segment loss before taxation	(10,888)	(54,101)	(9,308)	(47)	(74,344)
Unallocated expenses					(21,543)
Share of profit of associate					8,595
Loss before tax from continuing operations					(87,292)

For the six months ended 30 June 2020 (Restated)	Manufacture and sale of furniture <i>HK\$'000</i>	Development properties for sales and property investments <i>HK\$'000</i>	Hotel operations <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue				
Sale to external customers	214,900	–	5,739	220,639
Reconciliation: Revenue from continuing operations				220,639
Segment results	(81,665)	(18,093)	(17,697)	(117,455)
Reconciliation: Reportable segment loss before taxation	(81,665)	(18,093)	(17,697)	(117,455)
Unallocated expenses				(14,483)
Loss before tax from continuing operations				(131,938)

No analysis of the Group's assets and liabilities is disclosed as such information is not regularly provided to the chief operating decision-makers for review.

Information about a major customer

Revenue from continuing operations of approximately HK\$101,725,000 (2020: Nil) was derived from trading segment to a single customer, which amounted to 10% or more of the Group's revenue during the year.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Unaudited)
Revenue		
Sales of goods	429,791	214,900
Hotel operation income	12,688	5,739
	442,479	220,639
Other income and gains		
Bank and other interest income	11,055	1,039
Sales of scraps	149	1,110
Rental income	2,618	6,813
Government subsidy	6,697	–
Others	965	640
	21,484	9,602
	463,963	230,241

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Cost of inventories sold	375,392	231,781
Depreciation of property, plant and equipment	29,522	37,735
Amortisation of intangible assets	2,135	2,029
	<u> </u>	<u> </u>

6. FINANCE COSTS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank loans and other loans and lease liabilities (including medium term bonds)	45,520	7,102
	<u> </u>	<u> </u>

7. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – PRC corporate income tax	<u> </u>	<u> </u>
Total tax charge for the period	<u> </u>	<u> </u>

8. DIVIDENDS

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year of HK4 cents per ordinary share and a special dividend of HK6 cents per ordinary share	259,856	–
	<u> </u>	<u> </u>

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic loss per share amounts is based on the loss for the Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,598,561,326 (six months ended 30 June 2020: 2,598,561,326) in issue during the Period.

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2021.

The calculations of basic and diluted loss per share are based on:

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parents, used in the basic and diluted loss per share calculations	(83,279)	(131,291)
	Number of shares	
	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted loss per share calculation	2,598,561,326	2,598,561,326
Effect of dilution – weighted average number of ordinary shares	N/A	N/A

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 30 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non interest bearing.

Included in the Group's trade receivables are amounts due from the ultimate holding company of HK\$57,000 and amounts due from the fellow subsidiaries of HK\$3,047,000 (2020: Nil), which are unsecured, interest-free and repayable on demand respectively.

An aged analysis of the trade receivables as at the end of the reporting Period, based on the invoice date, and net of provisions, is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 1 month	34,316	29,425
1 to 3 months	11,644	3,983
3 to 6 months	2,955	4,400
	<u>48,915</u>	<u>37,808</u>

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting Period, based on invoice date, is as follows:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Within 1 month	27,111	41,806
1 to 3 months	14,933	44,691
3 to 6 months	977	7,040
6 to 12 months	2,119	1,305
More than 1 year	1,938	4,603
	<u>47,078</u>	<u>99,445</u>

12. SHARE OPTION SCHEME

According to the scheme limit of the 2012 Scheme as refreshed on the annual general meeting of the Company held on 1 June 2020, the Company may further grant 259,856,132 (31 December 2020: 259,856,132) share options, representing approximately 10% (31 December 2020: 10%) of the issued share capital of the Company as at 30 June 2021.

13. COMMITMENTS

The Group had the following capital commitments at the end of the reporting Period:

	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
Contracted, but not provided for:		
Acquisition of equity investment	375,460	619,978
Construction services and design buildings fee	36,956	–
	412,416	619,978

14. CONTINGENT LIABILITIES

Certain subsidiaries of the Group are currently defendant in a lawsuit brought by an independent third-party lessee alleging that a warehouse built on the leased land by the lessee was torn down by the subsidiaries without consent of termination of the lease contract by the lessee. The total compensation claimed amounted to HK\$162,962,000. As at 30 June 2021, the bank deposit of HK\$189,000 has been frozen following a court order.

As at the report date, the arbitration has yet to be resolved. Considering the warehouse is an unauthorized construction. The directors, based on the advice from the Group's legal counsel and the progress of the case, believes that the ultimate outcome of the litigation cannot be reliably estimated.

15. EVENTS AFTER REPORTING PERIOD

a) Memorandum of Understanding in respect of the Possible Capital Injection

On 13 July 2021, Comfort Sofa Limited (舒適梳化有限公司) (the "Investor", an indirect wholly-owned subsidiary of the Company) entered into a memorandum of understanding with Science City (Guangzhou) Finance and Leasing Co., Limited* (科學城(廣州)融資租賃有限公司) (the "Target Company"), Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司) ("Science City") and China Finance Leasing Limited (中國金融租賃有限公司), pursuant to which the Target Company intends of increase its registered capital and the Investor intends to make a capital injection into the Target Company (the "Possible Capital Injection"). The price for the Possible Capital Injection will be determined after arm's length negotiation between the Investor and the Target Company on a fair and reasonable basis and will be further agreed in a formal agreement to be entered into between amongst others, the Investor and the Target Company.

For more details, please refer to the announcement of the Company dated 13 July 2021.

b) Connected Transaction – Establishment of Fund Partnership

On 20 July 2021, Guangzhou Science City Venture Investment Management Co., Ltd.* (廣州科學城創業投資管理有限公司), an direct wholly-owned subsidiary of Science City (as the General Partner) has entered into a fund partnership agreement with Guangdong Kehu Investment Co., Ltd.* (廣東科虎投資有限公司), Guangzhou Emerging Industry Development Fund Management Co., Ltd.* (廣州市新興產業發展基金管理有限公司), Guangzhou Technology and Innovation Ruixiang Venture Investment Partnership (Limited Partnership)* (廣州科創瑞祥風險投資合夥企業(有限合夥)), Guangzhou Wanlibao Industries Co., Ltd.* (廣州萬利寶實業有限公司) (“Wanlibao”, an indirect wholly-owned subsidiary of the Company) and Science City (as limited partners) for the establishment of a limited partnership enterprise to be established in the PRC (the “Fund Partnership”). The Fund Partnership focuses on the “Main Areas of Industrial and Informatisation High Quality Development of Guangzhou*” (廣州市工業和信息化高質量發展主要產業領域) and prioritises its support to strategic industries identified by the government, primarily investing in areas including new generation information technology and biology and health etc.. A committed capital contribution of RMB37 million shall be made in cash by Wanlibao. The establishment of the Fund Partnership constitutes a connected transaction of the Company.

For more details, please refer to the announcement of the Company dated 20 July 2021.

c) Discloseable Transaction – Provision of Financial Assistance

On 2 August 2021, Guangzhou Gangke Real Estate Co., Ltd.* (廣州港科置業有限公司) (the “JV”), a joint venture entity held as to 40% and 60% of its equity interest by Wanlibao and Jiangsu Ganglong Huayang Real Estate Co., Ltd.* (江蘇港龍華揚置業有限公司) entered into a loan agreement (the “Loan Agreement”) with Ping An Trust Co., Ltd.* (平安信託有限責任公司) (the “Lender”), pursuant to which the Lender agreed to provide a loan in the principal amount of up to RMB1.5 billion (the “Loan”) to the JV at the interest rate of 8.0% per annum for a term of 36 months. On 19 August 2021, Wanlibao and the Lender entered into a pledge agreement in connection with the Loan Agreement, pursuant to which Wanlibao agreed to pledge 40% of the equity interest in the JV held by it in favour of the Lender as security for 40% of the principal amount of the Loan and the performance of the obligations thereunder (the “Pledge”). 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 Pledge constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

For more details, please refer to the announcement of the Company dated 19 August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Following the outbreak of the novel coronavirus (“COVID-19”) across the world early last year, the Group was inevitably forced to suspend its production and operating activities until the lunar new year holiday was over. Therefore, in sustaining the daily operations in the first half of last year, the Group was required to proffer more sales promotions to boost the consumer sentiment, which helped increase our sales of furniture. During the Period under review this year, although COVID-19 is still affecting the China economy and the furniture business, the daily routine of the people gradually comes back on track, evidenced by the recovering furniture business of the Group. For the six months ended 30 June 2021, gross profit margin of the Group’s furniture business rebounded to the normal level. In addition to continuing its own furniture business, the Group witnessed gradual improvement in its hotel business.

During the Period under review, the Group pursued in-depth cooperation with the controlling shareholder, Science City Group, in various aspects, including identifying potential investment opportunities in different areas, such as real estate development projects and other commercial areas. As a result, finance costs also increased. Being firmly optimistic about the development opportunities in the Greater Bay Area and in line with nation policies, the management of the Group were maintain the solid financial position of the Group to seize rare development opportunities and yield good investment returns.

During the six months ended 30 June 2021, revenue increased by 100.5% to approximately HK\$442.5 million, while gross profit margin improved from gross loss rate of 5.0% to gross profit margin of 15.2%. The Group recorded loss for the period attributable to the owners of the parent company of HK\$83.3 million, as compared to loss for the period attributable to the owners of the parent company of HK\$131.3 million for the same period of last year.

Management System Reform

With diversified expansion in different business areas, the Group mainly manages its business operations through various independent departments. The Group has a solid and effective financial control system to help senior management and managers of various business departments understand their business performance and their own weaknesses in real time before making management decisions in due course. In order to further improve its management reporting system, the Group has employed a professional financial software company.

Brand Management

The Group manages multiple brands, including 皇朝傢俬, 皇朝沙發, 皇朝定制+, 皇朝軟體睡眠, and continues to expand its brand influence with a “consumer-oriented” strategy. In addition, the Asian celebrity Ms. Lin Chi Ling will continue be the spokesperson of the Group and participate in the Group’s advertising and other marketing activities to promote the Group’s brand. In supporting offline sales, on the other hand, the Group has stepped up brand promotion on different types of online platforms and media to provide high-quality referral traffic to offline stores. Lastly, the Group will proactively continue its in-depth cooperation with regional franchisees and conduct promotional activities in more regional furniture stores to attract customers.

FINANCIAL REVIEW

Inventory and Prepayments, Deposits and Other Receivables

During the reporting period, the Group’s inventory increased by 8.9% to HK\$289.6 million (31 December 2020: HK\$265.9 million).

Prepayments, deposits and other receivables decreased by 41.7% to HK\$1,032.1 million (31 December 2020: HK\$1,769.9 million). These were mainly due to the Group received the land resumption proceeds amounted HK\$748.5 million in the first half of 2021.

Working Capital Challenge

The Group had net current assets of HK\$906.3 million as at 30 June 2021 (31 December 2020: net current assets of HK\$1,165.6 million). The decrease in net current assets is mainly attributable to capital injection to associates during the six months ended 30 June 2021.

PROSPECTS

In the second half of 2021, the Group will continue to deepen its commitments in the market of furniture and household products. In addition to the franchise business, the Group will strive to undertake more furniture projects from commercial customers, and participate in local real estate projects and sell its products to potential home owners through local distributors.

In light of increasingly deepened collaboration with the controlling company, Science City Group, the Group will be presented more opportunities to explore and expand into other areas in the future, which will help diversify the Group’s business risks and further expand its business scale.

In light of the positive progress in the development of commercial and residential projects in Zengcheng District, Guangzhou, the joint venture of the Group and Ganglong China Property Group Limited (“Ganglong”, stock code: 6968.HK) expects to start the pre-sale campaign in the short term, so as to seize the rapid development opportunities in Zengcheng District for the Group.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash and cash equivalents amounted to HK\$886.6 million as at 30 June 2021 (31 December 2020: HK\$236.9 million).

As at 30 June 2021, the interest-bearing bank and other borrowings amounted to HK\$1,431.2 million (31 December 2020: HK\$341.3 million), the Group had loan from an associate, loan from non-controlling interests, loan from a director and medium term bonds in the total amount of HK\$274 million (2020: loan from an associate, loan from ultimate holding company, loan from non-controlling interests, loan from a director and medium term bonds were in the total amount of HK\$505.8 million).

As at 30 June 2021, the current ratio (current assets/current liabilities) was 1.67 times (31 December 2020: 2.02 times) and the net current assets amounted to HK\$906.3 million (31 December 2020: net current assets HK\$1,165.6 million).

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2021 was approximately 1,376 (2020: 1,313). The Group's remuneration policies are in line with local market practices in where the Group operates and are normally reviewed on an annual basis. In addition to salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options and share awards may also be granted to eligible employees and persons of the Group.

The Group adopted the Performance Share Award Plan on 14 May 2021. The purpose of the Performance Share Award Plan is to recognise and reward the contribution of certain Eligible Persons (i.e. any full-time employee of the Group, including directors, executive, officers or senior management of the Group (but excluded Directors or the chief executive officer of the Company)) towards the growth and development of the Group through an award of Shares. Details of the Performance Share Award Plan has been disclosed in the announcement dated 14 May 2021.

CORPORATE GOVERNANCE CODE

The Company has complied with all of the applicable code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Period.

EVENTS AFTER THE PERIOD

Memorandum of Understanding in respect of the Possible Capital Injection

On 13 July 2021, Comfort Sofa Limited (舒適梳化有限公司) (the “Investor”, an indirect wholly-owned subsidiary of the Company) entered into a memorandum of understanding with Science City (Guangzhou) Finance and Leasing Co., Limited* (科學城(廣州)融資租賃有限公司) (the “Target Company”), Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司) (“Science City”) and China Finance Leasing Limited (中國金融租賃有限公司), pursuant to which the Target Company intends to increase its registered capital and the Investor intends to make a capital injection into the Target Company (the “Possible Capital Injection”). The price for the Possible Capital Injection will be determined after arm’s length negotiation between the Investor and the Target Company on a fair and reasonable basis and will be further agreed in a formal agreement to be entered into between amongst others, the Investor and the Target Company.

For more details, please refer to the announcement of the Company dated 13 July 2021.

Connected Transaction – Establishment of Fund Partnership

On 20 July 2021, Guangzhou Science City Venture Investment Management Co., Ltd.* (廣州科學城創業投資管理有限公司), an direct wholly-owned subsidiary of Science City (as the General Partner) has entered into a fund partnership agreement with Guangdong Kehu Investment Co., Ltd.* (廣東科虎投資有限公司), Guangzhou Emerging Industry Development Fund Management Co., Ltd.* (廣州市新興產業發展基金管理有限公司), Guangzhou Technology and Innovation Ruixiang Venture Investment Partnership (Limited Partnership)* (廣州科創瑞祥風險投資合夥企業(有限合夥)), Guangzhou Wanlibao Industries Co., Ltd.* (廣州萬利寶實業有限公司) (“Wanlibao”, an indirect wholly-owned subsidiary of the Company) and Science City (as limited partners) for the establishment of a limited partnership enterprise to be established in the PRC (the “Fund Partnership”). The Fund Partnership focuses on the “Main Areas of Industrial and Informatisation High Quality Development of Guangzhou*” (廣州市工業和信息化高質量發展主要產業領域) and prioritises its support to strategic industries identified by the government, primarily investing in areas including new generation information technology and biology and health etc.. A committed capital contribution of RMB37 million shall be made in cash by Wanlibao. The establishment of the Fund Partnership constitutes a connected transaction of the Company.

For more details, please refer to the announcement of the Company dated 20 July 2021.

Discloseable Transaction – Provision of Financial Assistance

On 2 August 2021, Guangzhou Gangke Real Estate Co., Ltd.* (廣州港科置業有限公司) (the “JV”), a joint venture entity held as to 40% and 60% of its equity interest by Wanlibao and Jiangsu Ganglong Huayang Real Estate Co., Ltd.* (江蘇港龍華揚置業有限公司) entered into a loan agreement (the “Loan Agreement”) with Ping An Trust Co., Ltd.* (平安信託有限責任公司) (the “Lender”), pursuant to which the Lender agreed to provide a loan in the principal amount of up to RMB1.5 billion (the “Loan”) to the JV at the interest rate of 8.0% per annum for a term of 36 months. On 19 August 2021, Wanlibao and the Lender entered into a pledge agreement in connection with the Loan Agreement, pursuant to which Wanlibao agreed to pledge 40% of the equity interest in the JV held by it in favour of the Lender as security for 40% of the principal amount of the Loan and the performance of the obligations thereunder (the “Pledge”). 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 Pledge constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

For more details, please refer to the announcement of the Company dated 19 August 2021.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

AUDIT COMMITTEE REVIEW

The accounting information in the interim results for the Period has not been audited by the auditors of the Company but the audit committee of the Company has reviewed the financial results of the Group for the six months ended 30 June 2021 and discussed with internal audit executives in relation to matters on internal control and financial reports of the Group. The audit committee of the Company has not undertaken external independent audit checks regarding the interim results for the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted for compliance by the directors the code of conduct for dealings in securities of the Company as set out in Appendix 10 to the Listing Rules: Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”).

Having made specific enquiry to all the directors of the Company, the directors confirmed that they had complied with the Model Code for the period ended 30 June 2021.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities for the period ended 30 June 2021.

PUBLIC FLOAT

Following the close of the unconditional mandatory cash general offer made by ABCI Capital Limited on behalf of Science City (Hong Kong) Investment Co. Limited ("SCHK"), Mr. Tse Kam Pang, Leading Star Global Limited, Crisana International Inc. ("Crisana") and Charming Future Holdings Limited (collectively, the "Joint Offerors") to acquire all the Shares in issue, other than those shares already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with them pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers on 29 August 2019, 398,570,046 Shares were held by the public (within the meanings of the Listing Rules), representing approximately 15.34% of the total number of issued Shares. Accordingly, less than 25% of the issued Shares (being the minimum prescribed percentage applicable to the Company) were held by the public and the Company did not satisfy the minimum public float requirement as set out under Rule 8.08(1)(a) of the Listing Rules. On 29 August 2019, an application was made by the Company to the Stock Exchange for a temporary waiver from strict compliance with Rule 8.08(1)(a) of the Listing Rules. On 5 September 2019, the Stock Exchange had granted a waiver to the Company for a period from 29 August 2019 (i.e. closing date of the offer) to 28 November 2019 (the "Waiver"). On 28 November 2019, an application was made by the Company to the Stock Exchange for an extension of the Waiver. The Stock Exchange had granted the Company an extension of the Waiver until 15 April 2020.

On 2 February 2020, the public float of the Company has risen to 19.22% of the issued share capital of the Company after completion of the sale of 101,000,000 Shares by SCHK. On 8 April 2020, an application was made by the Company to the Stock Exchange for a further extension of the Waiver. The Stock Exchange had granted the Company a further extension of the Waiver until 15 July 2020.

On 15 July 2020, a further application was made by the Company to the Stock Exchange for an extension of the Waiver. The Stock Exchange had granted the Company a further extension of the Waiver until 31 December 2020.

In January 2021, a further 66,000,000 and 64,600,000 Shares were disposed by Mr. Tse Kam Pang and SCHK, respectively. On 15 April 2021, Crisana has disposed of an aggregate of 20,000,000 Shares, after which 650,170,046 Shares were held by the public, representing approximately 25.02% of the total issued share capital of the Company. The minimum public float requirement of 25% as set out in Rule 8.08(1)(a) of the Listing Rules was satisfied.

PUBLICATION OF INTERIM REPORT

The 2021 interim report for the Period of the Company, which contains condensed consolidated financial statements for the six months ended 30 June 2021, and all other information required under Appendix 16 to the Listing Rules will be despatched to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://royale.todayir.com>) in due course.

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

Hong Kong, 31 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.