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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 2022

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 2022 (the “Period”) together with the comparative figures for the corresponding period in 2021. 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 2022

	Notes	Six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
REVENUE	4	710,995	442,479
Cost of sales		<u>(588,837)</u>	<u>(375,392)</u>
Gross profit		122,158	67,087
Other income and gains	4	41,770	21,484
Selling and distribution expenses		(86,775)	(59,493)
Administrative expenses		(87,355)	(70,324)
Finance costs	6	(72,584)	(45,520)
Share of profits and losses of:			
Associates		<u>3,697</u>	<u>(526)</u>
LOSS BEFORE TAX	5	(79,089)	(87,292)
Income tax expense	7	<u>(178)</u>	<u>–</u>
LOSS FOR THE PERIOD		<u>(79,267)</u>	<u>(87,292)</u>
Attributable to:			
Owners of the parent		(73,781)	(83,279)
Non-controlling interests		<u>(5,486)</u>	<u>(4,013)</u>
		<u>(79,267)</u>	<u>(87,292)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		<u>HK(2.966) cents</u>	<u>HK(3.205) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	(79,267)	(87,292)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	<u>(126,793)</u>	<u>25,359</u>
Total comprehensive loss for the period	<u><u>(206,060)</u></u>	<u><u>(61,933)</u></u>
Attributable to:		
Owners of the parent	(194,079)	(59,502)
Non-controlling interests	<u>(11,981)</u>	<u>(2,431)</u>
	<u><u>(206,060)</u></u>	<u><u>(61,933)</u></u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2022

	<i>Notes</i>	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		981,098	950,864
Investment properties		589,704	589,704
Right-of-use assets		278,630	311,700
Goodwill		34,482	34,482
Intangible assets		1,753	3,445
Investments in associates		1,543,194	1,583,465
Deferred tax assets		23,839	24,947
Prepayments		20,822	21,790
Contract assets		1,603	1,677
Restricted cash		174,522	122,574
		<hr/>	<hr/>
Total non-current assets		3,649,647	3,644,648
CURRENT ASSETS			
Inventories		264,679	254,126
Trade receivables	10	231,654	187,062
Prepayments, deposits and other receivables		480,357	450,705
Contract assets		109	114
Financial assets at fair value through profit or loss		–	10,481
Amounts due from associates		999,086	909,162
Restricted cash		360,530	696,100
Cash and cash equivalents		127,147	146,453
		<hr/>	<hr/>
Total current assets		2,463,562	2,654,203
CURRENT LIABILITIES			
Trade payables	11	163,311	106,199
Other payables and accruals		130,154	153,908
Interest-bearing bank and other borrowings		1,466,688	1,406,875
Loan from non-controlling interests		3,245	3,396
Loans from a director		–	89,272
Dividend payables		129,928	–
Tax payable		143,716	179,733
		<hr/>	<hr/>
Total current liabilities		2,037,042	1,939,383
NET CURRENT ASSETS		<hr/> 426,520 <hr/>	<hr/> 714,820 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 4,076,167 <hr/>	<hr/> 4,359,468 <hr/>

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>4,076,167</u>	<u>4,359,468</u>
NON-CURRENT LIABILITIES		
Medium term bonds	37,277	36,338
Interest-bearing bank and other borrowings	1,119,232	934,223
Loan from non-controlling interests	42,732	44,718
Loan from the immediate holding company	–	95,000
Lease liabilities	15,738	24,790
Deferred tax liabilities	429,259	449,214
Deferred government grant	43,353	45,368
	<u>1,687,591</u>	<u>1,629,651</u>
Total non-current liabilities		
	<u>1,687,591</u>	<u>1,629,651</u>
Net assets	<u>2,388,576</u>	<u>2,729,817</u>
EQUITY		
Equity attributable to owners of the parent		
Share capital	259,856	259,856
Reserves	1,994,503	2,323,763
	<u>2,254,359</u>	<u>2,583,619</u>
Non-controlling interests	134,217	146,198
	<u>134,217</u>	<u>146,198</u>
Total equity	<u>2,388,576</u>	<u>2,729,817</u>

NOTES TO FINANCIAL STATEMENTS

At 30 June 2022

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2022 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 2021.

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 2021, 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 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
Annual Improvements to HKFRSs 2018–2020	<i>Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16 and HKAS 41</i>

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

- (a) Amendments to HKFRS 3 replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the Period, the amendments did not have any impact on the financial position and performance of the Group.
- (b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2022. Since there was no sale of items produced while making property, plant and equipment available for use on or after 1 January 2022, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.
- (d) Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

HKFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively to financial liabilities that are modified or exchanged on or after 1 January 2022. As there was no modification of the Group's financial liabilities during the Period, the amendment did not have any impact on the financial position or performance of the Group.

HKFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

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.

The Group has four reportable segments as follows:

- (a) The furniture products segment, engaging in the manufacture and sale of home furniture.
- (b) The development properties for sales and property investments segment, engaging in the property investment and development.
- (c) The hotel operations segment, engaging in the hotel operation.
- (d) The trading segment, engaging in the trading of aluminum ingots and bars.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment.

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

For the six months ended 30 June 2022 (Unaudited)	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>	Trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
Sale to external customers	<u>408,166</u>	<u>–</u>	<u>16,389</u>	<u>286,440</u>	<u>710,995</u>
Reconciliation:					
Revenue from continuing operations					<u><u>710,995</u></u>
Segment results	<u>9,613</u>	<u>(63,665)</u>	<u>(7,160)</u>	<u>1,759</u>	<u>(59,453)</u>
Reconciliation:					
Reportable segment profit/(loss) before taxation	<u>9,613</u>	<u>(63,665)</u>	<u>(7,160)</u>	<u>1,759</u>	<u>(59,453)</u>
Unallocated expenses					<u>(35,580)</u>
Share of profit of associate					<u>15,944</u>
Loss before tax from continuing operations					<u><u>(79,089)</u></u>
For the six months ended 30 June 2021 (Unaudited)	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>	Trading <i>HK\$'000</i>	Total <i>HK\$'000</i>
Segment revenue					
Sale to external customers	<u>269,978</u>	<u>–</u>	<u>12,688</u>	<u>159,813</u>	<u>442,479</u>
Reconciliation:					
Revenue from continuing operations					<u><u>442,479</u></u>
Segment results	<u>(10,888)</u>	<u>(54,101)</u>	<u>(9,308)</u>	<u>(47)</u>	<u>(74,344)</u>
Reconciliation:					
Reportable segment loss before taxation	<u>(10,888)</u>	<u>(54,101)</u>	<u>(9,308)</u>	<u>(47)</u>	<u>(74,344)</u>
Unallocated expenses					<u>(21,543)</u>
Share of profit of associate					<u>8,595</u>
Loss before tax from continuing operations					<u><u>(87,292)</u></u>

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\$154,313,000 (2021: HK\$101,725,000) 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue		
Sales of goods	694,606	429,791
Hotel operation income	16,389	12,688
	<u>710,995</u>	<u>442,479</u>
Other income and gains		
Bank and other interest income	32,882	11,055
Sales of scraps	183	149
Rental income	2,500	2,618
Government subsidy	5,593	6,697
Others	612	965
	<u>41,770</u>	<u>21,484</u>
	<u>752,765</u>	<u>463,963</u>

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Cost of inventories sold	588,837	375,392
Depreciation of property, plant and equipment	33,326	29,522
Amortisation of intangible assets	1,539	2,135
	<u>623,699</u>	<u>407,049</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings (including medium term bonds), loans from related parties and lease liabilities	<u>72,584</u>	<u>45,520</u>

7. INCOME TAX EXPENSE

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	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – PRC corporate income tax	<u>178</u>	<u>–</u>
Total tax charge for the period	<u>178</u>	<u>–</u>

8. DIVIDENDS

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year of HK1 cent per ordinary share and a special dividend of HK4 cents per ordinary share (2021: 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)	<u>129,928</u>	<u>259,856</u>

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 in issue less shares held under share award scheme during the period of 2,487,885,834 (six months ended 30 June 2021: 2,598,561,326).

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2022 and 2021.

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

	Six months ended 30 June	
	2022	2021
	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	(73,781)	(83,279)
	2,487,885,834	2,598,561,326
	N/A	N/A

10. TRADE RECEIVABLES

Trade receivables are mainly from hotel operations and sales of goods including furniture and trading. For sales of furniture, the Group's trading terms with its customers are mainly on credit, except for some new customers, where payment in advance is normally required. The credit period is generally 30 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. For hotel operations and trading, payment is generally received in advance. 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. The Group does not hold any collateral or other credit enhancements over its trade receivables balance. Trade receivables are non-interest-bearing.

Trade receivables of HK\$3,014,000 (2021: HK\$54,794,000) which are due from related parties, are unsecured, interest-free and repayable on demand.

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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 1 month	177,642	128,708
1 to 3 months	11,351	8,227
3 to 6 months	9,498	7,530
Over 6 months	33,163	42,597
	<u>231,654</u>	<u>187,062</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 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 1 month	111,101	73,340
1 to 3 months	41,318	27,755
3 to 6 months	4,015	1,312
6 to 12 months	4,178	1,211
More than 1 year	2,699	2,581
	<u>163,311</u>	<u>106,199</u>

12. SHARE OPTION SCHEME

The Share Option Scheme was expired on 17 May 2022. No options were granted during the Period and there were no outstanding options as at 30 June 2022 (31 December 2021: Nil).

13. COMMITMENTS

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

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Construction in progress	<u>11,713</u>	<u>9,833</u>
	<u>11,713</u>	<u>9,833</u>

14. CONTINGENT LIABILITIES

At the end of the reporting Period, contingent liabilities not provided for in the financial statements were as follows:

	30 June 2022	31 December 2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Guarantees given to banks in connection with facilities granted to an associate	<u>374,813</u>	<u>392,237</u>

During the Period, the Group has pledged 40% (31 December 2021: 40%) equity interest in an associate, Guangzhou Gangke Real Estate Co., Ltd. (“Gangke”), to secure general banking facilities granted to Gangke. In the opinion of the directors, the fair value of the guarantees and the ECL allowance are not significant as at 30 June 2022 and 31 December 2021.

Certain subsidiaries of the Group are currently defendants 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 RMB135,612,000. Bank deposit of RMB67,806,000 (equivalent to HK\$79,420,000) (31 December 2021: RMB67,806,000 (equivalent to HK\$83,113,000)) has been frozen following a court order.

As at the announcement date, the arbitration has yet to be resolved. Considering the warehouse is an unauthorised construction, the directors, based on the advice from the Group’s legal counsel, believe that the subsidiaries have a valid defence against the allegation and, accordingly, the Group has not provided for any claims arising from the litigation, other than the related legal and other costs.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2022, under the leadership of the Central Government, the People's Republic of China ("PRC" or "China") achieved significant success in combatting the Coronavirus disease ("COVID-19") pandemic and maintained a steady economy. For the six months ended 30 June 2022, the Group recorded strong growth in revenue, increased by 60.7% to approximately HK\$711 million. The revenue growth was partly due to the increase in overall revenue driven by the further expansion of the distributor network in Mainland China. This led to the increase in sales of the Group's products, especially 皇朝定制+ and 皇朝沙發, which were well received by the market. Another attributing factor is the realization of the "home furnishing" business concept through the continuous enrichment of the product lines and the expansion of projects from pure furniture to interior decoration materials. In addition, the Group's overall gross profit margin increased from 15.2% to 17.2%. The gross profit margin of the furniture business also further increased from 28.6% to 30.1% due to higher sales volumes. This was attributable to the Group's continuous innovation and development of new and high-quality products while reducing costs through economies of scale.

During the Period under review, the Group continued to pursue in-depth cooperation with its controlling shareholder, Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司) ("Science City Group"), and various elite enterprises in the industry, to explore and identify investment and cooperation opportunities, and continue to explore new revenue sources. The Group has intensified its efforts in expanding and optimizing its distributor network, and made great progress in the deployment of its offline stores. Being firmly optimistic about the PRC market of furniture and household products, the management of the Group will further boost its market share while maintaining a sound financial position to provide the Group with continuous growth momentum.

In early 2022, in active response to the PRC Central Government's appeal, the Group swiftly donated 24,000 high-quality mattresses within two weeks to help the Hong Kong Government build a mobile cabin hospital. In the future, the Group will continue to be attentive to the needs of the community, do its best to give back to the community, and practice its motto of "Taken from the community, Given back to the community".

During the six months ended 30 June 2022, the Group recorded loss for the period attributable to the owners of the parent company of HK\$73.8 million, as compared to loss for the period attributable to the owners of the parent company of HK\$83.3 million for the same period of last year.

* For identification purposes only

FINANCIAL REVIEW

Inventory and Prepayments, Deposits and Other Receivables

During the Period, the Group's inventory increased by 4.2% to HK\$264.7 million (31 December 2021: HK\$254.1 million).

Prepayments, deposits and other receivables increased by 6.1% to HK\$501.2 million (31 December 2021: HK\$472.5 million).

Working Capital

The Group had net current assets of HK\$426.5 million as at 30 June 2022 (31 December 2021: net current assets of HK\$714.8 million). The Group will continue to take initiatives to manage its cash flow and capital commitments.

PROSPECTS

Looking forward to the second half of 2022, there are still uncertainties in China's mainland macro economy and domestic consumer market, and pandemic prevention and control measures continue to be strictly implemented across the country for the purpose of "dynamic-zero". The Group will continue to deepen its presence in the furniture and home furnishing markets to seize the development opportunities in the industry. With regards to the offline distributor network, after the significant expansion in the first half of the year, the Group will focus on providing support to its distributors in various areas across the country in the second half of the year to optimize and improve their operational efficiency, in order to further enhance the Group's brand influence and market share. Since last year, the Group has arranged for distributors to open their stores in several large home furnishing malls with cooperation agreements in order to provide distributors with a more favorable environment to promote the brands and products.

Apart from continuing to update its current range of complete furnishing solution, sofas and custom-made furniture, the Group continues to expand its product lines to building materials and home furnishings, and develop new business lines such as wooden doors, floor tiles, Internet of Things, smart home, etc., to establish a one-stop supply platform with branded home furnishing business through the construction of a full product supply chain.

Additional to the existing projects from commercial customers, the Group has entered into strategic collaborations with a large-scale renovation and interior design company to tap into the huge residential property buyer market of "turnkey" with one-stop diversified home furnishing designs tailored to suit their own needs. In the future, the Group will continue to strengthen its internet marketing and continue to attract more younger user groups and penetrate different market segments through online promotion.

In addition, the commercial and residential projects developed by the Group and the joint venture of Ganglong China Property Group Limited (a company whose shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), stock code: 6968) in Zengcheng District, Guangzhou, are operating in an orderly manner and are in the process of pre-sales with the opening of its sales center. The Group will also adjust the pace of development of its joint venture due to the downturn and increased uncertainty of the real estate market in the PRC. Besides, the Group will also provide interior design and whole-house furniture supporting services to property buyers, to seize the rapid development opportunities in Zengcheng District for the Group.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash and cash equivalents amounted to HK\$127.1 million as at 30 June 2022 (31 December 2021: HK\$146.5 million).

As at 30 June 2022, the interest-bearing bank and other borrowings amounted to HK\$2,585.9 million (31 December 2021: HK\$2,341.1 million), the Group had loan from non-controlling interests and medium term bonds in the total amount of HK\$83.3 million (2021: loan from the immediate holding company, loan from non-controlling interests, loans from a director and medium term bonds were in the total amount of HK\$268.7 million).

As at 30 June 2022, the current ratio (current assets/current liabilities) was 1.21 times (31 December 2021: 1.37 times) and the net current assets amounted to HK\$426.5 million (31 December 2021: HK\$714.8 million).

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2022 was approximately 1,748 (2021: 1,328). The Group’s remuneration policies are in line with local market practices 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 awards may 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. As at 30 June 2022, no Shares have been awarded to any eligible persons pursuant to the Performance Share Award Plan.

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 (the “Listing Rules”) throughout the Period.

EVENTS AFTER THE PERIOD

No significant events affecting the Group had occurred after the reporting period and up to the date of this announcement.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: 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 2022 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 Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 of the Listing Rules (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 2022.

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 2022.

PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the directors of the Company, it is confirmed that there is sufficient public float of more than 25 per cent of the Company’s issued shares during the Period and as at the date of this Interim Results Announcement.

PUBLICATION OF INTERIM REPORT

The 2022 interim report for the Period of the Company, which contains condensed consolidated financial statements for the six months ended 30 June 2022, 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 2022

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. Chen Yisheng; and three independent non-executive directors, namely, Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin.