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REGAL PARTNERS HOLDINGS LIMITED
皇庭智家控股有限公司

(formerly known as "Morris Home Holdings Limited 慕容家居控股有限公司")
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1575)

ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

FINANCIAL HIGHLIGHTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

- Revenue decreased by approximately 15.9% to approximately RMB75.1 million for the six months ended 30 June 2024 (2023: approximately RMB89.3 million)
- Gross profit recorded in the amount of approximately RMB20.3 million for the six months ended 30 June 2024 (2023: approximately RMB25.6 million)
- The Group recorded a loss of approximately RMB92.3 million for the six months ended 30 June 2024 (2023: approximately RMB14.6 million)
- Basic loss per share was approximately RMB3.45 cents for the six months ended 30 June 2024 (2023: approximately RMB0.52 cent)
- The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2024 (2023: Nil)

UNAUDITED INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Regal Partners Holdings Limited (the "**Company**" or "**Regal Partners**") announced the unaudited condensed consolidated interim results of the Company and its subsidiaries (the "**Group**") for the six months ended 30 June 2024 (the "**Reporting Period**") together with the comparative figures for the six months ended 30 June 2023 (the "**Comparative Period**"). This condensed consolidated interim financial information for the six months ended 30 June 2024 was unaudited, but has been reviewed by the audit committee (the "**Audit Committee**") of the Company.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
		(Unaudited)	(Unaudited)
Revenue	4	**75,092**	89,255
Cost of sales		**(54,831)**	(63,679)
Gross profit		**20,261**	25,576
Other income and gains	4	**106**	7,921
Allowance for expected credit losses in respect of financial assets carried at amortised cost, net		**(61,111)**	(129)
Selling and distribution expenses		**(20,977)**	(21,836)
Administrative expenses		**(22,328)**	(19,868)
Other expenses and losses		**(233)**	(1,239)
Finance costs		**(8,029)**	(5,063)
Share of result of an associate		**–**	4
Loss before tax	5	**(92,311)**	(14,634)
Income tax credit	6	**–**	71
Loss for the period		**(92,311)**	(14,563)
Other comprehensive income:			
Item may be reclassified to profit or loss			
Exchange differences on translation of financial statements		**716**	4,667
Other comprehensive income for the period, net of income tax		**716**	4,667
Total comprehensive loss for the period		**(91,595)**	(9,896)

	Notes	Six months ended 30 June **2024** ***RMB'000*** **(Unaudited)**	 2023 *RMB'000* (Unaudited)
Loss attributable to:			
Owner of the Company		**(92,311)**	(13,797)
Non-controlling interests		**–**	(766)
		(92,311)	(14,563)
Total comprehensive loss attributable to:			
Owner of the Company		**(91,595)**	(8,645)
Non-controlling interests		**–**	(1,251)
		(91,595)	(9,896)
		RMB cents	*RMB cents*
Loss per share attributable to ordinary equity holders of the Company	7		
Basic (Unaudited)		**(3.45)**	(0.52)
Diluted (Unaudited)		**(3.45)**	(0.52)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	**30 June 2024** *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**3,074**	5,802
Financial assets at fair value through profit or loss ("**FVTPL**")		**1,649**	1,604
Right-of-use assets		**25,277**	35,628
Total non-current assets		**30,000**	43,034
CURRENT ASSETS			
Inventories		**22,026**	26,917
Trade receivables	9	**17,549**	17,412
Prepayments, deposits and other receivables		**14,167**	15,584
Amounts due from related companies		**120,620**	176,258
Pledged deposits		**21**	21
Cash and cash equivalents		**7,487**	4,753
Total current assets		**181,870**	240,945
CURRENT LIABILITIES			
Trade payables	10	**37,254**	46,073
Contract liabilities		**5,616**	7,210
Other payables and accruals		**89,002**	93,437
Amounts due to related companies		**45,764**	44,534
Bank and other borrowings		**165,682**	109,457
Warranty provision		**350**	943
Lease liabilities		**15,721**	20,738
Derivative financial instruments		**–**	75
Convertible loan		**27,581**	26,567
Income tax payables		**3,017**	2,935
Total current liabilities		**389,987**	351,969
NET CURRENT LIABILITIES		**(208,117)**	(111,024)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(178,117)**	(67,990)

	Notes	**30 June 2024** *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
NON-CURRENT LIABILITIES			
Convertible loan		**–**	13,487
Lease liabilities		**11,976**	17,358
Bank and other borrowings		**53,696**	53,696
Total non-current liabilities		**65,672**	84,541
Net liabilities		**(243,789)**	(152,531)
EQUITY			
Share capital	11	**19,212**	19,212
Reserves		**(263,001)**	(165,462)
Equity attributable to owners of the Company		**(243,789)**	(146,250)
Non-controlling interests		**–**	(6,281)
Capital deficiency		**(243,789)**	(152,531)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. BASIS OF PREPARATION

These unaudited condensed consolidated interim financial statements (the "**unaudited interim results**") is prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the disclosure requirements of Appendix D2 of the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") and the Hong Kong Companies Ordinance. These unaudited interim results 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 2023.

The accounting policies and the basis of preparation adopted in the preparation of this unaudited interim report are consistent with those adopted in the Group's annual financial statements for the year ended 31 December 2023, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include HKASs and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong and the disclosures requirements of the Hong Kong Companies Ordinance, except for the adoption of the revised HKFRSs as disclosed in note 3 below.

This unaudited condensed consolidated interim financial statements is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand ("**RMB'000**") except when otherwise indicated. This unaudited condensed consolidated interim financial statements has not been audited or reviewed by the Company's external auditors, but has been reviewed by the Company's Audit Committee.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the unaudited interim results are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of amendments to HKFRSs effective as of 1 January 2024.

Amendments to HKFRS 16	Lease Liability in Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and managed.

Specifically, the Group's reportable segments under HKFRS 8 Operating Segments are as follows:

a. Retail segment

b. Manufacturing segment

Segment revenues and results

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

	Retail segment		**Manufacturing segment**		**Elimination of intersegment sales**		**Total**	
	Six months ended 30 June 2024	Six months ended 30 June 2023	**Six months ended 30 June 2024**	Six months ended 30 June 2023	**Six months ended 30 June 2024**	Six months ended 30 June 2023	**Six months ended 30 June 2024**	Six months ended 30 June 2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Segment revenues								
– External sales	**22,205**	41,030	**52,887**	48,225	**–**	–	**75,092**	89,255
– Internal sales	**–**	–	**44,966**	74,492	**(44,966)**	(74,492)	**–**	–
	22,205	41,030	**97,853**	122,717	**(44,966)**	(74,492)	**75,092**	89,255
Segment (loss)/profit	**(5,805)**	(6,825)	**(81,828)**	6,232	**–**	–	**(87,633)**	(593)
Interest income							**4**	54
Fair value change on derivative component of convertible loan							**76**	(590)
Unallocated corporate expenses							**(3,491)**	(11,770)
Unallocated finance costs							**(1,267)**	(1,735)
Loss before tax							**(92,311)**	(14,634)

Segment loss represents the loss from each segment without allocation of interest income, fair value change on derivative component of convertible loan, unallocated corporate expenses and unallocated finance costs. This is the measure reported to the Board for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

	Retail segment		Manufacturing segment		Consolidated	
	30 June 2024	31 December 2023	**30 June 2024**	31 December 2023	**30 June 2024**	31 December 2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Audited)	**(Unaudited)**	(Audited)	**(Unaudited)**	(Audited)
Segment assets	**23,873**	29,677	**143,550**	216,186	**167,423**	245,863
Unallocated corporate assets					**44,447**	38,116
Consolidated assets					**211,870**	283,979
Segment liabilities	**28,701**	32,535	**371,879**	335,039	**400,580**	367,574
Unallocated corporate liabilities					**55,079**	68,936
Consolidated liabilities					**455,659**	436,510

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than unallocated corporate assets (mainly comprising certain of amounts due from related parties, financial asset at FVTPL and other unallocated corporate assets); and

- all liabilities are allocated to operating segments other than unallocated corporate liabilities (mainly comprising amounts due to related companies, derivative financial instruments, convertible loan and other unallocated corporate liabilities).

Other segment information

	Retail segment		Manufacturing segment		Unallocated		Total	
	30 June 2024	30 June 2023	**30 June 2024**	30 June 2023	**30 June 2024**	30 June 2023	**30 June 2024**	30 June 2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)	**(Unaudited)**	(Unaudited)
Addition of property, plant and equipment	**35**	6	**86**	1,859	**–**	–	**121**	1,865
Depreciation of property, plant and equipment	**233**	306	**2,128**	1,351	**–**	–	**2,361**	1,657
Depreciation of right-of-use assets	**4,227**	4,932	**6,739**	7,304	**–**	–	**10,966**	12,236
(Reversal of provision)/provision against obsolete and slow-moving inventories	**(12)**	(255)	**333**	–	**–**	–	**321**	(255)
Allowance for/(reversal of allowance for) expected credit losses on financial assets at amortised cost, net	**288**	777	**60,823**	(652)	**–**	4	**61,111**	129
Finance costs	**661**	833	**6,101**	2,495	**1,267**	1,735	**8,029**	5,063

Geographical information

(a) Revenue from external customers

	30 June 2024 *RMB'000* **(Unaudited)**	30 June 2023 *RMB'000* (Unaudited)
The People's Republic of China (including Hong Kong)	**25,022**	30,605
Europe *(Note (a))*	**15,305**	14,566
The United States of America ("**US**" or "**U.S.**")	**25,353**	39,053
Others	**9,412**	5,031
	75,092	89,255

Note:

(a) Europe mainly includes France, Norway, Spain, Ireland and United Kingdom.

(b) Non-current assets

	30 June 2024 *RMB'000* **(Unaudited)**	31 December 2023 *RMB'000* (Audited)
The People's Republic of China (including Hong Kong)	**27,274**	39,485
The U.S.	**2,650**	3,438
The United Kingdom	**76**	111
	30,000	43,034

The non-current asset information above is based on the locations of the assets.

Information about major customers

Revenue from major customers which did not consist any related parties of the corresponding year contributing over 10% of the total revenue of the Group is as follows:

	Six months ended 30 June	
	2024 *RMB'000* **(Unaudited)**	2023 *RMB'000* (Unaudited)
Customer 1[1]	**NA***	11,471
Customer 2[1]	**15,764**	24,272

* Revenue from the customer is less than 10% of the total revenue of the Group.

1 Manufacturing segment

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns, trade discounts and value-added tax.

An analysis of revenue, other net income and gains is as follows:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Revenue		
Recognised at a point of time:		
Manufacturing and sales of sofas, sofa cover and other furniture products	**75,092**	89,251
Commission income	**–**	4
	75,092	89,255
Other income and gains		
Interest income	**4**	53
Government subsidies	**13**	10
Sales of raw materials	**–**	237
Over-provision for redundancy payable in prior year	**–**	6,571
Exchange gain	**–**	851
Others	**89**	199
	106	7,921

5. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Cost of inventories sold	**54,510**	63,934
Depreciation of property, plant and equipment	**2,361**	1,657
Depreciation of right-of-use assets	**10,966**	12,236
Salaries, wages and benefits in kind	**22,510**	22,513
Pension scheme contributions	**2,076**	712
Equity-settled share-based payment expense	**337**	–
Provision/(reversal of provision) against obsolete and slow-moving inventories	**321**	(255)
Allowance for expected credit losses on financial assets at amortised cost, net	**61,111**	129
(Reversal of provision for)/provision for product warranty, net	**(613)**	49
Interest for convertible loan	**1,267**	1,735
Interest for lease liabilities	**1,494**	1,837
Exchange losses	**277**	–

6. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Island (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Under the two-tiered profits tax rates regime in Hong Kong, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two- tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

PRC subsidiaries are subject to the PRC Enterprise Income Tax at 25% during the period (2023: 25%).

The U.S. corporate tax rate is 21% for the period ended 30 June 2024 in accordance to the Tax Cuts and Jobs Act. The U.S. income tax includes (a) federal income tax calculated at a fixed rate of 21% for the period ended 30 June 2024 (2023: a fixed rate of 21%) on the estimated U.S. federal taxable income and state income tax calculated at various state income tax rates for both periods on the estimated state taxable income for the respective states. The income subject to tax in a specific state (i.e. state taxable income) is calculated based on the federal taxable income with state tax adjustments, which is then allocated or apportioned to the respective states (i.e. percentage of taxable income that should be apportioned or specially allocated to the respective states in which the Group operates) based on the apportionment factors provided from the state tax returns in previous year.

A change to the main U.K. corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19%, rather than the previously enacted reduction to 17%. Deferred taxes are calculated based on the rates enacted in respect of future periods as at the reporting date. Pursuant to the income tax rules and regulations of U.K., the subsidiary comprising the Group in U.K. is liable to U.K. at a tax rate of 19% for the period ended 20 June 2024 and 2023.

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Current – Hong Kong	**–**	(71)
Deferred tax	**–**	–
Tax credit for the period	**–**	(71)

7. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic and diluted loss per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	(Unaudited)
Loss for the purpose of basic and diluted loss per share	**(92,311)**	(13,797)
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	**2,674,188**	2,674,188

Note: Diluted loss per share for the period ended 30 June 2024 and 2023 were the same as basic loss per share.

8. DIVIDENDS

The Board has proposed not to declare interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

9. TRADE RECEIVABLES

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	(Audited)
Trade receivables from third parties	**20,581**	52,817
Less: allowance for expected credit losses	**(3,032)**	(35,405)
	17,549	17,412

The Group's trading terms with its customers are mainly on credit. The credit period is generally one to two months, extending up to three to six months for major customers. The Group seeks to maintain strict control over its outstanding receivables and overdue balances are reviewed regularly by senior management. The Group does not hold any collateral over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of trade receivables as at the end of the Reporting Period, based on the invoice date and net of provision, is as follows:

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 3 months	**14,758**	16,708
4 to 6 months	**2,248**	686
7 to 12 months	**543**	18
	17,549	17,412

10. TRADE PAYABLES

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Trade payables to third parties	**37,254**	46,073

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	**5,634**	17,778
2 to 3 months	**10,885**	7,167
4 to 6 months	**4,605**	3,533
Over 6 months	**16,130**	17,595
	37,254	46,073

The trade payables are non-interest-bearing. Trade payables are normally settled on terms of 30 to 180 days.

11. SHARE CAPITAL

	30 June 2024		31 December 2023	
	US$'000	***RMB'000 equivalent***	*US$'000*	*RMB'000 equivalent*
	(Unaudited)	**(Unaudited)**	(Audited)	(Audited)
Authorised:				
10,000,000,000 ordinary shares of US$0.001 each	**10,000**		10,000	
Issued and fully paid:				
2,750,000,000 (2023: 2,750,000,000) ordinary shares of US$0.001 each	**2,750**	**19,212**	2,750	19,212

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Throughout the Reporting Period, the furniture industry was grappling with a series of challenges, yet to reclaim the robust market dynamics before the pandemic. In our major markets, the United States (the "**U.S.**") and Europe, high interest rates and inflation dampened consumer sentiment, leading to a downgrade in consumption. Soaring mortgage rates resulted in fewer home purchases and large-scale furnishing projects. In addition, the furniture industry faced heightened competition from flourishing e-commerce platforms, intensifying pressure on traditional furnishing chains who became more cautious in placing new orders. Adding to the complexity, the Red Sea crisis disrupted trade routes, causing a spike in transportation.

As a supplier of upstream furniture products, Regal Partners faced a slow-moving order book during the Reporting Period, compounded by rising costs influenced by external factors, thereby confronting substantial operational pressures. On the whole, the Group recorded a decrease of revenue by 15.9% to RMB75.1 million for the six months ended 30 June 2024 (2023: approximately RMB89.3 million) and gross profit of approximately RMB20.3 million for the six months ended 30 June 2024 (2023: approximately RMB25.6 million).

Despite the myriad market challenges and dynamic operating environment, the Group has implemented rigorous measures to increase our business competitiveness in the long run. Strategically, it has established a plant in Cambodia, which is expected to commence production in the second half of this year. This move was in response to tariff restrictions on products made in China. By strategically expanding our production to Southeast Asia, we aim to ensure our supply chain resilience and cater to customer demands. Over time, our commitment to superior quality and efficient delivery has garnered customer satisfaction. The new plant has already secured a decent number of orders. It is anticipated that the expanded production capacity would help us secure a broader range of orders from international clientele.

Regarding the rising logistic costs impacting the customers, the Group proactively communicated with the customers and worked out solutions to overcome these challenging times together. This included designing innovative modular sofa products, which could be more flexibly arranged within containers, optimizing space utilization and transportation efficiency.

The Group placed great emphasis on product quality and market needs. In response to the rising needs for sustainable furniture, the Group developed stylish sofas from eco-friendly leather materials for sustainable future.

Business development in the U.S., Europe and other potential markets

The U.S. and Europe remained as our major markets, which contributed to 33.8% and 20.4% of revenue respectively. We have proactively cultivated relationships with key customers for a long-term and stable cooperation.

In the U.S., the Group continued to showcase its high-quality furniture and sofas at the High Point Market, the largest local home furnishings industry trade show, attracting attention from potential customers. The product exhibition was a strategic maneuver aimed at fortifying our market presence amidst challenging circumstances.

Europe was another key market. During the Reporting Period, the Group increased the marketing and sales efforts in United Kingdom, France, Norway, Spain and Ireland. It also continued to penetrate new market segments including Japan and Australia through its distribution network.

Retail business development on China and Hong Kong

As of June 2024, the Group had one flagship showroom and one self-operated retail store in Mainland China. In Hong Kong, the Group had five self-operated retail stores in Sha Tin, Tsuen Wan, Kowloon Bay, Tseung Kwan O and Tai Kok Tsui, respectively and eight points of consignment sales in Tuen Mun, Kowloon Bay, Kwun Tong, Yuen Long, Wan Chai, Tsuen Wan, Fo Tan and Lai Chi Kok.

FINANCIAL REVIEW

During the six months ended 30 June 2024, the Group's principal business activities primarily consisted of the manufacturing and sales of sofas, sofa covers and other furniture products.

For the Reporting Period, the Group generated revenue amounting to approximately RMB75.1 million (2023: approximately RMB89.3 million), reflecting a decrease of approximately 15.9% compared to the corresponding period in last year. The decline in revenue was due to geopolitical conflicts and a sharp increase in shipping costs that led to higher costs for retailers. In addition, the impact of macroeconomic factors such as inflation and rising interest rates has led to a decline in consumer disposable income and demand for furniture.

The gross profit for the Reporting Period reached approximately RMB20.3 million (2023: approximately RMB25.6 million). The overall gross profit margin dropped to approximately 27.0% for the first half of 2024 from approximately 28.7% for the same period last year.

During the Reporting Period, the net loss of the Group amounted to approximately RMB92.3 million (2023: net loss approximately RMB14.6 million). The increase in net loss can be primarily attributed to two key factors. Firstly, there was a 200% rise in sea freight during the first half of 2024. Secondly, there was a one-off provision of approximately RMB60.6 million for the amounts due from related companies of the Group during the period due to classification of certain amounts due from related companies as credit-impaired and recognition of lifetime expected credit loss on these balances after considering the estimated recoverable amounts of the charged assets. References are made to the 2023 annual report of the Company and the announcements of the Company dated 27 June 2024, 19 June 2024, 19 March 2024 and 9 February 2024 in relation to, amongst others, the amount due from entities which are controlled by Mr. Zou Gebing (the "**ZOU Entities**"). The auditors of the Company issued a qualified opinion in the 2023 annual report of the Company in respect of carrying amounts of the balances due from and to the ZOU Entities as at 31 December 2023 on the basis of inability to obtain sufficient appropriate audit evidence due to the uncooperative attitude of the ZOU Entities. In March 2024, the ZOU Entities denied the existence of and refused to repay the amount due from ZOU Entities claiming that such amount had been fully set off without providing sufficient and satisfactory evidence or justification. In view of the above, and taking into account the principle of prudence, provision of approximately RMB60.6 million has been made for the amounts due from the ZOU Entities. Despite the aforementioned provision, the Company has been investigating and reviewing the historical transactions between (a) the Group and (b) Mr. Zou Gebing and the ZOU Entities, including those giving rise to the amount due from the ZOU Entities. The Company is dedicated to and will take all appropriate actions to recover and/or resolve the amount due from ZOU Entities and relevant issues, in order to safeguard the legitimate interest of the Company and its shareholders.

If excluding the one-off provision on the amounts due from related companies of the Group, the net loss would increased from approximately RMB14.6 million in 2023 to approximately RMB31.7 million in 2024.

The basic loss per ordinary share of the Company for the six months ended 30 June 2024 was approximately RMB3.45 cents (2023: approximately RMB0.52 cents). This calculation is based on the loss for the period attributable to ordinary equity holders of the Company, which amounted to approximately RMB92.3 million (2023: approximately RMB13.8 million), and the weighted average number of ordinary shares which stood at 2,674,188,000 for the six months ended 30 June 2024 (30 June 2023: 2,674,188,000).

Cost of sales

The cost of sales for the Group experienced a decrease of approximately 14.0%, decreasing from approximately RMB63.7 million for the six months ended 30 June 2023 to approximately RMB54.8 million for the corresponding period in 2024. This decrease in balance was in line with the decrease in revenue.

Other income and gains

The other income and gains of the Group decreased from approximately RMB7.9 million for the six months ended 30 June 2023 to approximately RMB0.1 million for the six months ended 30 June 2024. Significant decrease in balance was mainly due to the one off reversal of overprovision for redundancy compensation amounting to RMB6.6 million during 2023.

Selling and distribution expenses

The selling and distribution expenses of the Group slightly decreased by approximately 3.7% from approximately RMB21.8 million for the six months ended 30 June 2023 to approximately RMB21.0 million for the six months ended 30 June 2024. The balance primarily consisted of the sales representative salaries and commissions, freight out cost and advertisement and promotion expenses.

Administrative expenses

The administrative expenses of the Group increased by approximately 12.1% from approximately RMB19.9 million for the six months ended 30 June 2023 to approximately RMB22.3 million for the six months ended 30 June 2024. The balance primarily consisted of the salary, legal and professional fee.

Finance costs

The finance costs of the Group increased by approximately 56.9% from approximately RMB5.1 million for the six months ended 30 June 2023 to approximately RMB8.0 million for the six months ended 30 June 2024. The increase in finance costs was mainly due to the increase in bank and other borrowings amount approximately RMB56.2 million.

LIQUIDITY AND CAPITAL RESOURCES

Borrowing

As at 30 June 2024, the Group’s interest-bearing bank and other borrowings amounted to approximately RMB219.4 million (31 December 2023: approximately RMB163.2 million). The bank loans’ interest rates ranged from 5.0% to 8.0% (31 December 2023: 5.0% to 8.0%) per annum.

Capital structure

During the year under review, the capital structure of the Group consists of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

Gearing ratio

The gearing ratio of the Group, which is the ratio of the total debts (comprised of amounts due to related companies, lease liabilities, convertible loan and interest-bearing bank and other borrowings) to the equity attributable to owners of the Company. The gearing ratio of the Group was not applicable, as the Company has run into net liabilities as at 30 June 2024 and 31 December 2023.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 30 June 2024.

Foreign exchange exposure

Revenue from major customers is mainly from the U.S. and Europe while the production facilities of the Group are mainly located in the PRC. Accordingly, most of the sales are denominated in U.S. dollars while the costs arising from the Group's operations are generally settled in RMB. As a result, fluctuations in the value of U.S. dollars against RMB could adversely affect the financial results of the Group. During the six months ended 30 June 2024, the Group did not experience any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation. The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in the future. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk if and when appropriate.

GOING CONCERN

The Group incurred a net loss of approximately RMB92.3 million during the six months ended 30 June 2024 and, as of that date, the Group's current liabilities exceeded its current assets and total liabilities exceeded its total assets by approximately RMB208.1 million and RMB243.8 million (31 December 2023: approximately RMB111.0 million and RMB152.5 million), respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. The directors have prepared the consolidated financial statements based on going concern on the assumptions and measures.

In view of the above circumstances, the Directors have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. The Company is carrying out certain plans (including without limitation the following measures) to mitigate the liquidity position and to improve the Group's financial position:

(i) The substantial shareholder of the Company, Mr. Tse Kam Pang, has provided to the Company an unsecured loan facility in the principal amount of up to HK$200,000,000 to enable the Group to continue as a going concern and to settle its liabilities as and when they fall due. For further details please refer to the Company's announcement dated on 5 May 2023. As at 30 June 2024, the Group had unutilised loan facility amounting to approximately HK$78.0 million;

(ii) The Group will take steps to obtain external funding in order to improve the working capital and liquidity and cash flow position of the Group;

(iii) The Group is taking measures to tighten cost controls with an aim to attain positive cash flows from operations;

(iv) The Group is currently re-negotiating the repayment schedules with certain of its debtors and endeavouring to request them to repay the trade receivables, other receivables and amounts due from related companies in accordance with the repayment schedules agreed with them; and

(v) The Group has actively negotiated with stakeholders for the purpose of obtaining further financing when necessary, including but not limited to shareholder's loan, equity financing, bank borrowing and issuance of new convertible bonds to improve the liquidity of the Group.

HUMAN RESOURCES MANAGEMENT

Quality and dedicated staff are indispensable assets to the Group's success in the competitive market. By providing comprehensive training and corporate culture education periodically, the employees are able to obtain on-going training and development in the sofa manufacturing industry. Furthermore, the Group offers competitive remuneration packages commensurate with industry practice and provides various fringe benefits to all employees. The Group reviews its human resources and remuneration policies periodically to ensure that they are in line with market practice and regulatory requirements. As at 30 June 2024, the Group employed a work force of 337 (31 December 2023: 350). The total salaries and related costs excluding the directors' remuneration for the six months ended 30 June 2024 amounted to approximately RMB24.6 million (for the six months ended 30 June 2023: approximately RMB23.2 million).

SHARE SCHEMES

Share Option Scheme

The share options scheme (the "**Share Option Scheme**") was adopted by the Company on 10 December 2016 ("**Adoption Date**"). The Share Option Scheme allows the Company to grant options to the following eligible person(s) (the "**Eligible person(s)**"), namely, any fulltime or part-time employee of the Company or any member of the Group, including any executive Director, non-executive Director and independent non-executive Director, adviser and consultant of the Group. The purpose of the Share Option Scheme is to enable the Company to grant options to the Eligible Persons as incentives or rewards for their contribution to the Group.

No share options were granted by the Company under the Share Option Scheme during the period from the Adoption Date to 30 June 2024 and there were no outstanding share options under the Share Option Scheme as at 1 January 2024 and 30 June 2024. No share options were exercised, vested, lapsed or cancelled during the Reporting Period. The number of share options available for grant under the scheme mandate of the Share Option Scheme was 100,000,000 as at 1 January 2024 and 30 June 2024.

Restricted Share Award Scheme

The Restricted Share Award Scheme (the "**Share Award Scheme**") was adopted by the Company on 29 August 2019 as an incentive to retain and encourage employees for the continual operation and development of the Group. The trustee of the Share Award Scheme did not acquire any Shares during the first half of 2024. As at 30 June 2024, 75,812,000 Shares acquired and held by the trustee under the Share Award Scheme were deemed to be held in treasury, representing 2.76% of the Shares in issue as at 30 June 2024.

OUTLOOK AND PROSPECTS

Broadening sources of income and cutting expenditure

The Group remained steadfast in its commitment to resilience and adaptability in navigating the evolving business environment. Looking forward, we will increase efforts to develop more innovative products tailored to our customers' needs and expand our reach through various channels, targeting both online and offline audiences. Customers desire furniture with greater adjustability and versatility to meet the diverse requirements of modern lifestyles, including green furniture with sustainable features for environmental protection, and furniture that seamlessly combines technology for smart home integration. Our commitment lies in creating products that align with market demands and enhance production efficiency to drive increased orders and sustain healthy profit margins.

Channels play a pivotal role in the sales of furniture products. With furniture e-commerce platform offering a seamless and efficient shopping experience, we have been actively expanding e-commerce customers while nurturing relationships with traditional offline customers. Leveraging the strengths of both online and offline channels, we can effectively address diverse market needs.

We also place significant emphasis on stringent cost management practices. Operating with lean assets, we continuously monitor production efficiency and processes, exercising prudence in expenditure across raw materials, personnel management, and sales administration to consistently elevate the company's profit margins and cash flow. Our lean asset operation also enables the Group to optimize production cost-effectively. Moving forward, we will continue to invest in enhancing the technical skills of our factory employees, expanding production lines, and introducing stylish products that resonate with market trends and consumer preferences.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities for the six months ended 30 June 2024.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

As at 30 June 2024, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures for the Reporting Period.

SIGNIFICANT INVESTMENTS

As at 30 June 2024, the Group did not hold any significant investments save as those disclosed in this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no plan authorised by the Board for material investments or additions of capital assets at the date of this announcement.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. The Company has made specific enquiry with its incumbent Directors regarding compliance with the Model Code during the Reporting Period, and they all confirmed that they had fully complied with the required standard set out in the Model Code regarding directors' securities transactions throughout the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance to protect the interests of its Shareholders and to enhance corporate value and accountability. The principle of the Company's corporate governance is to promote effective internal control and risk management measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects, and to ensure that its affairs are conducted in accordance with applicable laws and regulations. The Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value and formulate its business strategies and policies. The Board has reviewed the Company's corporate governance practices and is satisfied that save as disclosed below, the Company has complied with all code provisions ("**Code Provisions**") and, where applicable, the recommended best practices of the Corporate Governance Code (the "**Corporate Governance Code**") set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the Reporting Period and up to the date of this announcement.

Code Provision D.1.2 of the Corporate Governance Code provides that management should provide members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient details to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Although the management of the Company did not provide a regular monthly update to the members of the Board, the management keeps providing information and updates to the members of the Board as and when appropriate. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, comply with regulatory requirements and meet the growing expectations of shareholders and investors of the Company.

AUDIT COMMITTEE AND REVIEW OF UNAUDITED INTERIM RESULTS

During the Reporting Period and up to the date hereof, the Audit Committee of the Company comprised of four independent non-executive Directors, with at least one member possessing recognised professional qualifications in accounting and/or having wide experience in audit and accounting. Currently, the members of the Audit Committee are Professor Kwan Pun Fong Vincent *(Chairman)*, Professor Lee Chack Fan, Professor Alfred Sit Wing Hang and Ms. Chen Jianhua. The Audit Committee has reviewed with the management of the Company the unaudited interim results and interim report of the Group for the six months ended 30 June 2024 and is of the opinion that it complies with the applicable accounting standards, the Listing Rules and legal requirements, and that adequate disclosures have been made.

INTERIM DIVIDEND

The Board has resolved not to declare any interim dividend for the six months ended 30 June 2024 (2023: Nil).

EVENT AFTER THE REPORTING PERIOD

There were no significant events after the Reporting Period up to the date of this announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company had maintained sufficient public float of more than 25% of the Company's issued share capital as required under the Listing Rules as of the date of this announcement.

PUBLICATION OF UNAUDITED INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This unaudited interim results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.theregalpartners.com. The unaudited interim report of the Company for the Reporting Period will be disseminated to the shareholders of the Company and published on the aforesaid websites in due course on or before 30 September 2024.

APPRECIATION

The Board would like to express our heartfelt gratitude towards the management team and staff for their commitment and diligence, and would like to thank our shareholders and business associates for their strong support to the Group.

By order of the Board
Regal Partners Holdings Limited
Tse Kam Pang
Chairman and Executive Director

Hong Kong, 30 August 2024

As at the date of this announcement, the executive Directors are Mr. Tse Kam Pang and Mr. Chong Tsz Ngai; the non-executive Director is Mr. Tse Hok Kan; and the independent non-executive Directors are Professor Alfred Sit Wing Hang, Professor Lee Chack Fan, Professor Kwan Pun Fong Vincent and Ms. Chen Jianhua.