

# 2021

INTERIM REPORT

**ROYALE HOME HOLDINGS LIMITED**

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1198

## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. Tse Kam Pang (*Chairman*)  
Mr. Yang Jun (*Chief Executive Officer*)

#### Non-Executive Directors

Mr. Wu Zhongming  
Mr. Wu Dingliang  
Ms. Qin You  
Mr. Liu Zhijun

#### Independent Non-Executive Directors

Mr. Lau Chi Kit  
Mr. Yue Man Yiu Matthew  
Mr. Chan Wing Tak Kevin

### AUDIT COMMITTEE

Mr. Yue Man Yiu Matthew (*Chairman*)  
Mr. Lau Chi Kit  
Mr. Chan Wing Tak Kevin

### REMUNERATION COMMITTEE

Mr. Lau Chi Kit (*Chairman*)  
Mr. Yue Man Yiu Matthew  
Mr. Chan Wing Tak Kevin

### NOMINATION COMMITTEE

Mr. Lau Chi Kit (*Chairman*)  
Mr. Yue Man Yiu Matthew  
Mr. Chan Wing Tak Kevin

### COMPANY SECRETARY

Mr. Chui See Lai

### AUDITOR

Ernst & Young

### SOLICITOR

Jeffrey Mak Law Firm

### PRINCIPAL BANKERS

Bank of Communications Co., Ltd.  
Hong Kong Branch  
Bank of China  
The Hongkong and Shanghai Banking  
Corporation Limited

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited  
Suite 3204, Unit 2A, Block 3,  
Building D, P.O. Box 1586, Gardenia Court,  
Camana Bay, Grand Cayman,  
KY1-1100, Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## CORPORATE INFORMATION

### REGISTERED OFFICE

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 607, 6/F  
Tsim Sha Tsui Centre, West Wing  
66 Mody Road  
Tsim Sha Tsui East  
Kowloon, Hong Kong

### STOCK CODE

1198

### INVESTOR RELATIONS

Tel: (852) 2636-6648  
Email: [info@royale.com.hk](mailto:info@royale.com.hk)

## 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW (Continued)

#### 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 to 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 amounting to 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES AND DEBENTURES

As at 30 June 2021, the interests and short positions of the directors of the Company (the "Directors") and chief executive of the Company in the Shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), were as follows:

#### Long positions in shares and underlying shares of the Company:

Name of Directors	Notes	Number of Shares and underlying Shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital (Note c)
		Directly beneficially owned	Through controlled corporation/ family interests	Through jointly held by other persons (Note a)		
Mr. Tse Kam Pang ("Mr. Tse")	(b)	282,948,047	427,580,269	1,234,862,964	1,945,391,280	74.86
Mr. Yue Man Yiu Matthew		3,000,000	-	-	3,000,000	0.12

## MANAGEMENT DISCUSSION AND ANALYSIS

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES AND DEBENTURES *(Continued)*

#### Long positions in shares and underlying shares of the Company: *(Continued)*

Notes:

- (a) On 24 May 2019, Science City (Hong Kong) Investment Co. Limited ("SCHK"), Mr. Tse, Crisana International Inc. ("Crisana"), Charming Future Holdings Limited ("Charming Future") and Leading Star Global Limited ("Leading Star") entered into an acting in concert arrangement. SCHK, Mr. Tse, Leading Star, Crisana and Charming Future are parties acting in concert (having the meaning ascribed to it under the Takeovers Code). As such, SCHK, Mr. Tse, Leading Star (being wholly owned by Mr. Tse), Crisana (being wholly owned by Mr. Tse) and Charming Future (being wholly owned by Mr. Tse) are deemed to be interested in 74.86% of the issued share capital of the Company.
- (b) 282,948,047 Shares (representing 10.89% of the issued share capital of the Company), were directly beneficially owned by Mr. Tse, 51,971,227 Shares were held by Leading Star, 165,840,120 Shares were held by Crisana and 209,768,922 Shares were held by Charming Future. Leading Star, Crisana and Charming Future are all companies wholly and beneficially owned by Mr. Tse. Mr. Tse was deemed to be interested in 1,234,862,964 Shares by virtue of being a party acting-in-concert with SCHK. As such, Mr. Tse was deemed to be interested in the 1,945,391,280 Shares.
- (c) The percentage is calculated on the basis of 2,598,561,326 Shares in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, none of the Directors and the chief executive of the Company had any interest and short position in the Shares, debentures or underlying Shares of the Company and its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 30 June 2021, the following shareholders of the Company (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

#### Long position:

Name	Notes	Number of Shares and underlying Shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital (Note f)
		Directly beneficially owned	Interest held through controlled corporation	Interest held jointly with other persons (Note e)		
Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團 有限公司)	(a)	–	1,945,391,280	–	1,945,391,280	74.86
SCHK	(a)	1,234,862,964	–	710,528,316	1,945,391,280	74.86
Crisana	(b)	165,840,120	–	1,779,551,160	1,945,391,280	74.86
Charming Future	(c)	209,768,922	–	1,735,622,358	1,945,391,280	74.86
Leading Star	(d)	51,971,227	–	1,893,420,053	1,945,391,280	74.86

#### Notes:

- SCHK is wholly owned by Science City (Guangzhou) Investment Group Co., Ltd.\* (科學城(廣州)投資集團有限公司), a company established in the PRC with limited liability on 21 August 1984. As such, Science City (Guangzhou) Investment Group Co., Ltd.\* (科學城(廣州)投資集團有限公司) was deemed to be interested in 1,945,391,280 shares of the Company in which SCHK is interested under Part XV of the SFO. The ultimate beneficial owner of Science City is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會).
- Crisana is wholly-owned by Mr. Tse Kam Pang, a Director of the Company.
- Charming Future is wholly-owned by Mr. Tse Kam Pang, a Director of the Company.
- Leading Star is wholly-owned by Mr. Tse Kam Pang, a Director of the Company.

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES *(Continued)*

#### Long position: *(Continued)*

Notes: *(Continued)*

- (e) On 24 May 2019, SCHK, Mr. Tse, Leading Star, Crisana and Charming Future entered into an acting in concert arrangement. SCHK, Mr. Tse, Leading Star, Crisana and Charming Future are parties acting in concert (having the meaning ascribed to it under the Takeovers Code). As such, SCHK, Mr. Tse, Leading Star (being wholly owned by Mr. Tse), Crisana (being wholly owned by Mr. Tse) and Charming Future (being wholly owned by Mr. Tse) are deemed to be interested in 74.86% of the issued share capital of the Company.
- (f) The percentage is calculated on the basis of 2,598,561,326 Shares in issue as at 30 June 2021.

Save as disclosed above, as at 30 June 2021, no other persons or corporations (other than the Directors or the chief executive of the Company) had any interests or short positions in the Shares or the underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

#### SHARE OPTION SCHEME

The Company adopted a share option scheme on 18 May 2012 (the "Scheme") and it was refreshed on 1 June 2020. Please refer to the circular and the announcements of the Company dated 20 April 2012 and 28 April 2020 respectively for details.

As at 1 January 2021 and 30 June 2021, the Company did not have share options outstanding under the Scheme. No options were granted under the Scheme during the Period.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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).

### CAPITAL STRUCTURE

There has been no material change in the capital structure of Group during the Period under review.

### GEARING RATIO

The gearing ratio is defined as net debt divided by capital plus net debt was 34.5% as at 30 June 2021 (2020: 24%).

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Particulars of material investments in associates held by the Group as at 30 June 2021 are set out as follows:

Name	Principal activity	Percentage of equity interest held	Carrying amount	
			As at 30 June 2021 HK\$'000	As at 31 December 2020 HK\$'000
Guangzhou Gangke Real Estate Co., Ltd ("Gangke")	Real Estate	40%	979,425	366,048
Science City (Guangzhou) Financial Leasing Co., Ltd. ("Financial Leasing")	Financial Leasing	22.5%	188,177	88,396
Sky Walker Limited ("Sky Walker")	Investment	42.42%	148,897	147,858

Other than those disclosed above, there were no other significant investments, nor were there any other material acquisitions or disposals of subsidiaries, associates or joint ventures during the Period.

### USE OF NET PROCEEDS FROM THE SHARE SUBSCRIPTION AND CHANGE IN USE OF PROCEEDS

On 24 May 2019, the Company and Science City (Hong Kong) Investment Co. Limited ("SCHK") entered into the Subscription Agreement ("Subscription") pursuant to which the Company has conditionally agreed to issue, and the SCHK has conditionally agreed to subscribe for, in cash, 433,093,554 new shares of the Company ("Share(s)") at a price of HK\$1.02 per Share under specific mandate. On 2 August 2019, the Company completed the allotment and issuance of 433,093,554 new ordinary Shares.

The net proceeds from the share subscription received by the Company were approximately HK\$440.2 million, equivalent to a net subscription price of approximately HK\$1.02 per Share. References are made to the (i) the circular of the Company dated 8 July 2019; (ii) the 2019 annual report of the Company published on 28 April 2020; (iii) the 2020 interim report of the Company published on 9 September 2020; and (iv) the 2020 annual report of the Company published on 28 April 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### USE OF NET PROCEEDS FROM THE SHARE SUBSCRIPTION AND CHANGE IN USE OF PROCEEDS (Continued)

The details of the proposed use of net proceeds, change in use of proceeds and the actual use of proceeds during the period are as follows:

Proposed use of proceeds	Original allocation of the net proceeds (HK\$ million)	Revised use of proceeds (HK\$ million)	Unutilised net proceeds as at 1 January 2021 (HK\$ million)	Net proceeds utilised during the six months ended 30 June 2021 (HK\$ million)	Amount utilised up to 30 June 2021 (HK\$ million)	Unutilised proceeds as at 30 June 2021 (HK\$ million)	Expected timeline
Repaying certain loans of the Company	100.0	100.0	-	-	100.0	-	-
Acquisition of land	30.0	30.0	-	-	30.0	-	-
Construction of new production facilities	130.0	130.0	115	23	38.0	92.0	By 30 April 2022 (Note)
Imported machinery for new production facilities	80.0	80.0	60	-	20.0	60.0	By 30 April 2022 (Note)
Expenditure for establishing warehouses/new distribution spot on the Group's land in northern China	60.0	-	-	-	-	-	-
General working capital	40.2	100.2	-	-	100.2	-	-
<b>Total</b>	<b>440.2</b>	<b>440.2</b>	<b>175</b>	<b>23</b>	<b>288.2</b>	<b>152.0</b>	

Note:

Due to the outbreak of COVID-19, the Group's plan in relation to the construction of new production facilities and imported machinery for new production facilities had been delayed. The part of the actual net proceeds which were expected to be utilised by 1 August 2021 was not fully utilized in view of the delayed progress. The Board considers that it is appropriate to extend the expected timeline for the application of such unutilised proceeds to 30 April 2022.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FOREIGN EXCHANGE EXPOSURES

Our Group has foreign currency exposures. Such exposures mainly arise from the balance of assets and liabilities and transactions in currencies other than the respective functional currencies of our Company and its subsidiaries. Currently, the Group does not maintain any hedging policy with respect to these foreign currency exposures.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### EVENTS AFTER REPORTING 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.

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

### EVENTS AFTER REPORTING PERIOD (Continued)

#### 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).

#### 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 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.

\* For identification purpose only

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

### 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: 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.

## 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.

### 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	<b>442,479</b>	220,639
Cost of sales		<b>(375,392)</b>	(231,781)
Gross profit/(loss)		<b>67,087</b>	(11,142)
Other income and gains	4	<b>21,484</b>	9,602
Selling and distribution expenses		<b>(59,493)</b>	(57,322)
Administrative expenses		<b>(70,324)</b>	(63,888)
Finance costs	6	<b>(45,520)</b>	(7,102)
Share of profits and losses of: Associates		<b>(526)</b>	(2,086)
LOSS BEFORE TAX	5	<b>(87,292)</b>	(131,938)
Income tax expenses	7	<b>-</b>	-
LOSS FOR THE PERIOD		<b>(87,292)</b>	(131,938)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS**

For the six months ended 30 June 2021

		<b>Six months ended 30 June</b>	
		<b>2021</b>	2020
Notes		<b>HK\$'000</b>	HK\$'000
		<b>(Unaudited)</b>	(Unaudited)
<b>ATTRIBUTABLE TO:</b>			
		<b>(83,279)</b>	(131,291)
		<b>(4,013)</b>	(647)
		<b>(87,292)</b>	(131,938)
<b>LOSS PER SHARE ATTRIBUTABLE TO</b>			
<b>ORDINARY EQUITY HOLDERS OF THE</b>			
<b>PARENT</b>			
	9		
Basic		<b>HK(3.205) cents</b>	HK(5.052) cents
Diluted		<b>N/A</b>	N/A

Details of the dividends payable and proposed for the Period are disclosed in note 8 to the interim condensed consolidated financial statements of the Period.

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	<b>(87,292)</b>	(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	<b>25,359</b>	(27,184)
Total comprehensive loss for the period	<b>(61,933)</b>	(159,122)
Attributable to:		
Owners of the parent	<b>(59,502)</b>	(155,514)
Non-controlling interests	<b>(2,431)</b>	(3,608)
	<b>(61,933)</b>	(159,122)

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
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
Investments in associates		1,464,668	752,093
<b>Total non-current assets</b>		<b>3,202,387</b>	2,503,313
<b>CURRENT ASSETS</b>			
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
<b>Total current assets</b>		<b>2,257,284</b>	2,310,649
<b>CURRENT LIABILITIES</b>			
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
<b>Total current liabilities</b>		<b>1,350,944</b>	1,145,039
<b>NET CURRENT ASSETS</b>		<b>906,340</b>	1,165,610
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>4,108,727</b>	3,668,923

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2021

	Notes	30 June 2021 HK\$'000 (Unaudited)	31 December 2020 HK\$'000 (Audited)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<b>4,108,727</b>	3,668,923
<b>NON-CURRENT LIABILITIES</b>			
Medium term bonds	12	<b>35,025</b>	34,050
Interest-bearing bank and other borrowings		<b>925,292</b>	91,947
Loan from non-controlling interests		<b>39,529</b>	39,062
Lease liabilities		<b>49,996</b>	49,405
Deferred tax liabilities		<b>410,349</b>	405,863
Deferred government grant		<b>45,944</b>	45,402
<b>Total non-current liabilities</b>			
		<b>1,506,135</b>	665,729
<b>Net assets</b>			
		<b>2,602,592</b>	3,003,194
<b>EQUITY</b>			
<b>Equity attributable to owners of the parent</b>			
Share capital		<b>259,856</b>	259,856
Reserves		<b>2,212,964</b>	2,611,135
<b>Total equity</b>			
		<b>2,472,820</b>	2,870,991
<b>Non-controlling interests</b>			
		<b>129,772</b>	132,203
<b>Total equity</b>			
		<b>2,602,592</b>	3,003,194

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2021

	Attributable to owners of the Company										
	Issued share capital	Share premium account	Capital reserve	Asset valuation reserve	Statutory reserve	Shares held under the Performance Share Award Scheme	Exchange fluctuation reserve	Accumulated losses/Retained profit	Total	Non-controlling interests	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020	259,656	1,482,883	-	165,224	13,140	-	26,495	29,690	1,977,288	141,272	2,118,560
Loss for the period	-	-	-	-	-	-	-	(131,291)	(131,291)	(647)	(131,938)
Other comprehensive income for the period:											
Exchange differences related to foreign operations	-	-	-	-	-	-	(24,223)	-	(24,223)	(2,961)	(27,184)
At 30 June 2020 (unaudited)	259,656	1,482,883	-	165,224	13,140	-	2,272	(101,601)	1,821,774	137,664	1,959,438
At 1 January 2021	259,656	1,482,883	(9,444)	131,714	115,266	-	164,151	726,545	2,870,991	132,203	3,003,194
Loss for the period	-	-	-	-	-	-	-	(83,279)	(83,279)	(4,013)	(87,292)
Dividends approved in respect of the previous years (Note 8)	-	(259,856)	-	-	-	-	-	-	(259,856)	-	(259,856)
Shares purchased under the Performance Share Award Scheme	-	-	-	-	-	(76,813)	-	-	(76,813)	-	(76,813)
Other comprehensive income for the period:											
Exchange differences related to foreign operations	-	-	-	-	-	-	23,777	-	23,777	1,582	25,359
At 30 June 2021 (unaudited)	259,656	1,223,027*	(9,444)*	131,714*	115,266*	(76,813)*	187,928*	643,266*	2,472,820	129,772	2,602,592

\* These reserve accounts comprise the consolidated reserves of HK\$2,212,964,000 (31 December 2020: HK\$2,611,135,000) in the interim condensed consolidated statement of financial position.

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Net cash flow from/(used) in operating activities	555,013	(79,181)
Net cash flow used in investing activities	(721,773)	(241,358)
Net cash flow from financing activities	813,547	65,108
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	646,787	(255,431)
Cash and cash equivalents at beginning of period	236,930	440,468
Effect of foreign exchange rate changes, net	2,835	(1,839)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	886,552	183,198
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	886,552	183,198

## 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.

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2021

### 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES *(Continued)*

(a) *(Continued)*

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.

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2021

### 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)

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2021

### 3. OPERATING SEGMENT INFORMATION (Continued)

(a) (Continued)

For the six months ended 30 June 2020 (Restated)	Manufacture and sale of furniture HK\$'000	Development properties for sales and property investments HK\$'000	Hotel operations HK\$'000	Total HK\$'000
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.

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2021

### 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 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
<b>Revenue</b>		
Sales of goods	429,791	214,900
Hotel operation income	12,688	5,739
	<b>442,479</b>	220,639
<b>Other income and gains</b>		
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
	<b>21,484</b>	9,602
	<b>463,963</b>	230,241

### 5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (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

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2021

### 6. FINANCE COSTS

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

### 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 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Current – PRC corporate income tax	–	–
Total tax charge for the period	–	–

### 8. DIVIDENDS

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (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	–

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).

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2021

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

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2021

### 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:

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

### 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:

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

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2021

### 12. MEDIUM TERM BONDS

On 5 February 2016, the Company established a medium term bonds programme with a nominal value of HK\$10,000,000 each. The Bonds are non-callable until 5 February 2025 and non-puttable until 5 February 2020. Interest on the outstanding bonds will be payable annually in arrears at the interest rate of 0.1% per annum first payable on 5 February 2018 and last payable on 5 February 2063 and will mature on 5 February 2064. The Bonds were amortised at the effective interest method by applying the effective interest rate ranging from 8.01% to 8.86% per annum.

The fair value of the medium term bonds was estimated at the issuance date by discounting the expected future cash flows using an equivalent market interest rate for a similar bond taking into consideration the Group's own credit and liquidity risk.

The medium term bonds recognised in the statement of financial position were calculated as follows:

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Carrying amount at 1 January	<b>34,050</b>	31,775
Accrued Interest expenses	<b>1,465</b>	2,625
Paid	<b>(490)</b>	(350)
Carrying amount	<b>35,025</b>	34,050

### 13. 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.

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2021

### 14. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following transactions with related parties during the period:

		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Notes			
	Science City and the then affiliates:		
	Sales of products	26,129	356
	Purchases of construction services	18,717	–
	Purchases of management services	350	–
	Loan from an associate	24,026	–
	Loan from a fellow subsidiary	–	63,519
	Interest expenses to ultimate holding company	1,636	–
	Interest expenses to fellow subsidiary	2,678	–
	Interest expenses to an associate	3,700	–

Notes:

- (i) The sales to the fellow subsidiaries were made according to the published prices and conditions offered to the major customers of the Group.
- (ii) The related party transactions are also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2021

### 14. RELATED PARTY TRANSACTIONS (Continued)

#### (b) Balances with related parties

Other than those disclosed elsewhere in the interim condensed consolidated financial statements, the outstanding balances with related parties as follows:

	Notes	Six months ended 30 June	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Trade receivables due from related parties:			
Ultimate holding company	(i)	57	–
Fellow subsidiaries	(i)	3,047	–
Other receivables due from related parties:			
Ultimate holding company	(i)	138	–
Payables/Other payables due to related parties:			
Ultimate holding company	(i)	22	–
Associates	(i)	–	672

Note:

(i) This balance is unsecured, interest-free and has no fixed terms of repayment.

#### (c) Compensation of key management personnel of the Group:

	Six months ended 30 June	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Short term employee benefits	6,417	4,637
Pension scheme contributions	37	9
Total compensation paid to key management personnel	6,454	4,646

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2021

### 15. COMMITMENTS

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

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

### 16. 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.

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2021

### 17. 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 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.

#### (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.

\* For identification purpose only

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2021

### 17. EVENTS AFTER REPORTING PERIOD (Continued)

#### (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.

By Order of the Board

**Tse Kam Pang**

*Chairman and Executive Director*

Hong Kong, 31 August 2021

\* For identification purpose only