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ROYALE HOME HOLDINGS LIMITED

皇朝家居控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1198)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

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 2024 (the “Period”) together with the comparative figures for the corresponding period in 2023. The interim results for the Period had been reviewed by the audit committee of the Company and approved by the Board.

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited) (Restated)
REVENUE	4	253,168	507,737
Cost of sales		<u>(235,442)</u>	<u>(407,046)</u>
Gross profit		17,726	100,691
Other income and gains	4	28,507	24,667
Selling and distribution expenses		(67,249)	(78,978)
Administrative expenses		(64,588)	(60,954)
Finance costs	6	(77,931)	(72,172)
Share of profits and losses of:			
Associates		<u>13,251</u>	<u>11,138</u>
LOSS BEFORE TAX	5	(150,284)	(75,608)
Income tax credit	7	<u>182</u>	<u>–</u>
LOSS FOR THE PERIOD		<u>(150,102)</u>	<u>(75,608)</u>
Attributable to:			
Owners of the parent		(147,638)	(73,146)
Non-controlling interests		<u>(2,464)</u>	<u>(2,462)</u>
		<u>(150,102)</u>	<u>(75,608)</u>
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		<u>RMB(5.958) cents</u>	<u>RMB(2.944) cents</u>
Diluted		<u>N/A</u>	<u>N/A</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
LOSS FOR THE PERIOD	(150,102)	(75,608)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	<u>(2,466)</u>	<u>4,999</u>
Total comprehensive (loss)/income for the period	<u>(152,568)</u>	<u>(70,609)</u>
Attributable to:		
Owners of the parent	(150,041)	(68,096)
Non-controlling interests	<u>(2,527)</u>	<u>(2,513)</u>
	<u>(152,568)</u>	<u>(70,609)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	<i>Notes</i>	30 June 2024	31 December 2023
		RMB'000	RMB'000
		(Unaudited)	(Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		769,280	797,143
Investment properties		599,200	599,200
Right-of-use assets		254,764	286,240
Goodwill		25,052	25,052
Intangible assets		606	700
Investments in associates		1,336,787	1,339,417
Deferred tax assets		23,681	23,731
Prepayments		73,974	73,539
		<hr/>	<hr/>
Total non-current assets		3,083,344	3,145,022
CURRENT ASSETS			
Inventories		290,157	302,399
Trade receivables	10	239,635	236,378
Prepayments, deposits and other receivables		347,954	330,465
Contract assets		2,533	4,592
Financial assets at fair value through profit or loss		20,885	20,885
Amounts due from associates		1,051,810	1,003,530
Restricted cash		108,501	233,258
Cash and cash equivalents		27,471	29,270
		<hr/>	<hr/>
Total current assets		2,088,946	2,160,777
CURRENT LIABILITIES			
Trade payables	11	168,179	220,658
Other payables and accruals		229,712	286,134
Interest-bearing bank and other borrowings		1,412,476	1,480,150
Loan from an associate		26,500	53,000
Loan from the ultimate holding company		345,795	79,000
Loan from non-controlling interests		46,168	45,013
Loan from a director		–	18,969
Tax payable		66,772	73,961
		<hr/>	<hr/>
Total current liabilities		2,295,602	2,256,885
NET CURRENT LIABILITIES		(206,656)	(96,108)
TOTAL ASSETS LESS CURRENT LIABILITIES		2,876,688	3,048,914

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Medium term bonds	39,427	37,494
Interest-bearing bank and other borrowings	894,705	909,743
Loan from the immediate holding company	113,305	95,113
Lease liabilities	13,187	37,130
Deferred tax liabilities	149,576	149,715
Deferred government grant	32,532	33,195
	<hr/>	<hr/>
Total non-current liabilities	1,242,732	1,262,390
	<hr/>	<hr/>
Net assets	1,633,956	1,786,524
	<hr/> <hr/>	<hr/> <hr/>
EQUITY		
Equity attributable to owners of the parent		
Share capital	221,592	221,592
Reserves	1,249,567	1,399,608
	<hr/>	<hr/>
	1,471,159	1,621,200
Non-controlling interests	162,797	165,324
	<hr/>	<hr/>
Total equity	1,633,956	1,786,524
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO FINANCIAL STATEMENTS

At 30 June 2024

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2024 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 2023.

Going concern basis

The Group incurred a net loss of approximately RMB150 million for the six months ended 30 June 2024 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately RMB207 million, while its cash and cash equivalents amounted to RMB27 million. The above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern.

In view of the aforementioned, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Group’s bank and other loans of RMB1,870 million are guaranteed by Science City (Guangzhou) Investment Group Co., Ltd.* (“Science City”). Science City has agreed to continue to act as the Group guarantor for the next twelve months on all their existing and new bank and other loans with an aggregated amount of not exceeding RMB2,000 million. Based on historical experience, the directors expect that the Group is able to renew all the bank and other loans with Science City’s guarantee when they expire. As of 30 June 2024, the Group also has unpledged investment properties with carrying amount of approximately RMB599 million which are available for use as security to obtain new bank and other loans. Subsequent to the period end date, the Group has successfully renewed or obtained new bank and other loans of RMB163 million;
- (ii) The Group will continue to seek suitable opportunities to disposal of certain equity interest to raise the level of liquid funds; and
- (iii) The Group will continue to implement measures to improve the operation performance, and to speed up the collection of outstanding sales proceeds and other receivables; and the Group will continue to take active measures to control costs and expense.

The board of directors have reviewed the Group’s cash flow projections prepared by management, which cover a period of not less than twelve months from 30 June 2024. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2025. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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Notwithstanding the above, significant uncertainties exist as to whether the Group is able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the following:

- (i) the successful obtaining continuous support by the banks and the Group's creditors;
- (ii) successfully disposing of the Group's equity interest in certain companies when suitable; and
- (iii) the successful and timely implementation of the plans to improve the operation performance, speed up the collection of outstanding sales proceeds and other receivables, and control costs and expense so as to generate adequate net cash inflows.

Should the Group be unable to achieve the above-mentioned plans and measures and operate as a going concern, adjustments would have to be made to write down the carrying values of the Group's assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and non-current liabilities as current assets and current liabilities, respectively. The effects of these adjustments have not been reflected in these interim condensed consolidated financial statements.

Changes in presentation currency

Pursuant to a resolution of the Board passed on 21 March 2024, the Group's presentation currency for its consolidated financial statements has been changed from Hong Kong dollars ("HK\$") to Renminbi ("RMB"). The effects of the change in the presentation currency have been accounted for retrospectively with comparative figures restated. The comparative amounts in the condensed consolidated financial statements are presented as if RMB had always been the presentation currency of the consolidated financial statements. The condensed consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the six months ended 30 June 2024, and certain explanatory notes have been restated to conform with the current period presentation.

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 2023, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current (the "2020 Amendments")
Amendments to HKAS 1	Non-current Liabilities with Covenants (the "2022 Amendments")
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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

- (a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

- (b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

- (c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure of relevant information for supplier finance arrangements is not required for any interim reporting period during the first annual reporting period in which an entity applies the amendments. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the interim condensed consolidated financial information.

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. Segment results are evaluated based on reportable gross profit margin.

The Group has four reportable segments as follows:

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

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

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

For the six months ended 30 June 2024 (Unaudited)

	Manufacture and sale of furniture RMB'000	Development properties for sale and property investments RMB'000	Hotel operations RMB'000	Trading RMB'000	Total RMB'000
Segment revenue					
Sale to external customers	<u>239,697</u>	<u>–</u>	<u>8,696</u>	<u>4,775</u>	<u>253,168</u>
Reconciliation:					
Revenue from continuing operations					<u>253,168</u>
Segment results	<u>(48,455)</u>	<u>(35,275)</u>	<u>(14,435)</u>	<u>51</u>	<u>(98,114)</u>
Reconciliation:					
Reportable segment profit/(loss) before taxation	<u>(48,591)</u>	<u>(35,275)</u>	<u>(14,435)</u>	<u>51</u>	<u>(98,250)</u>
Unallocated expenses					<u>(66,068)</u>
Share of profit of associates					<u>14,034</u>
Loss before tax from continuing operations					<u>(150,284)</u>

For the six months ended 30 June 2023 (Unaudited)

	Manufacture and sale of furniture <i>RMB'000</i> (Restated)	Development properties for sales and property investments <i>RMB'000</i> (Restated)	Hotel operations <i>RMB'000</i> (Restated)	Trading <i>RMB'000</i> (Restated)	Total <i>RMB'000</i> (Restated)
Segment revenue					
Sale to external customers	454,466	–	5,190	48,081	507,737
	<u>454,466</u>	<u>–</u>	<u>5,190</u>	<u>48,081</u>	<u>507,737</u>
Reconciliation:					
Revenue from continuing operations					507,737
					<u>507,737</u>
Segment results	20,837	(40,018)	(17,397)	1,381	(35,197)
	<u>20,837</u>	<u>(40,018)</u>	<u>(17,397)</u>	<u>1,381</u>	<u>(35,197)</u>
Reconciliation:					
Reportable segment profit/(loss) before taxation	20,837	(40,018)	(17,397)	1,381	(35,197)
	<u>20,837</u>	<u>(40,018)</u>	<u>(17,397)</u>	<u>1,381</u>	<u>(35,197)</u>
Unallocated expenses					(55,765)
Share of profit of associates					<u>15,354</u>
Loss before tax from continuing operations					(75,608)
					<u>(75,608)</u>

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

Information about a major customer

Revenue from continuing operations of approximately RMB41,936,000 (2023: RMB Nil) was derived from the manufacture and sale of furniture segment to a single customer, which amounted to 10% or more of the Group's revenue during the period.

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	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited) (Restated)
Revenue		
Sales of goods	195,498	453,527
Installation and other ancillary services	48,974	49,020
Hotel operation income	8,696	5,190
	<u>253,168</u>	<u>507,737</u>
Other income and gains		
Bank and other interest income	24,945	21,694
Sales of scraps	237	163
Rental income	–	1,539
Government subsidy	1,041	744
Gain on leases termination	2,199	–
Others	85	527
	<u>28,507</u>	<u>24,667</u>
	<u>281,675</u>	<u>532,404</u>

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited) (Restated)
Cost of inventories sold	235,441	407,046
Depreciation of property, plant and equipment	24,540	27,432
Property, plant and equipment written-off	6,095	–
Amortisation of intangible assets	94	484
	<u>94</u>	<u>484</u>

6. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Interest on bank and other borrowings (including medium term bonds), loans from related parties and lease liabilities	<u>77,931</u>	<u>72,172</u>

7. INCOME TAX CHARGE/(CREDIT)

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	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Current – PRC corporate income tax	<u>(182)</u>	<u>–</u>
Total tax credit for the period	<u>(182)</u>	<u>–</u>

8. DIVIDENDS

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited) (Restated)
Final dividend – Nil (2023: Final dividend of HK1 cent per ordinary share)	<u>–</u>	<u>23,493</u>

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

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

The calculation of basic loss per share amounts is based on the loss for the Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue less shares held under share award scheme during the Period of 2,477,871,326 (six months ended 30 June 2023: 2,484,746,575).

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2024 and 2023.

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

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
Loss		
Loss attributable to ordinary equity holders of the parents, used in the basic and diluted loss per share calculations	<u>(147,638)</u>	<u>(73,146)</u>
Number of shares		
Six months ended 30 June		
	2024	2023
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue less shares held under the share award scheme during the period used in the basic and diluted loss per share calculation	<u>2,477,871,326</u>	<u>2,484,746,575</u>
Effect of dilution – weighted average number of ordinary shares	<u>N/A</u>	<u>N/A</u>

10. TRADE RECEIVABLES

Trade receivables are mainly from hotel operations and sales of goods including furniture and trading. For sales of furniture, the Group's trading terms with its customers are mainly on credit, except for some new customers, where payment in advance is normally required. The credit period is generally 30 to 180 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. For hotel operations and trading, payment is generally received in advance. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balance. Trade receivables are non-interest-bearing.

Trade receivables of RMB39,844,000 (2023: RMB42,925,000) which are due from related parties, are unsecured, interest-free and repayable on demand.

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 year	131,301	166,023
1 to 2 years	108,334	70,355
	239,635	236,378

11. TRADE PAYABLES

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Within 1 month	22,221	87,801
1 to 3 months	32,637	52,501
3 to 6 months	39,433	19,600
6 to 12 months	43,512	33,921
More than 1 year	30,376	26,835
	168,179	220,658

12. COMMITMENTS

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

	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Contracted, but not provided for:		
Construction in progress	36,197	36,197
	36,197	36,197

13. CONTINGENT LIABILITIES

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

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Guarantees given to banks in connection with facilities granted to an associate	<u>333,000</u>	<u>333,000</u>

During the Period, the Group has pledged 40% (31 December 2023: 40%) equity interest in an associate, Gangke, to secure general banking facilities granted to Gangke. In the opinion of the directors, the fair value of the guarantees at initial recognition and the ECL allowance are not significant as at 30 June 2024 and 31 December 2023.

14. COMPARATIVE FIGURES

Certain comparative figures in these condensed consolidated financial statements were reclassified to conform to the current year's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2024, the macroeconomic policies of the People's Republic of China (the "PRC") continued to take effect, sustaining the country's steady economic trajectory. However, due to a slowdown in the growth of household income and consumption in the first half of the year, consumers exhibited more cautious and rational spending behavior, leading to consumer confidence needing further restoration. The real estate industry, in particular, is undergoing a transition between old and new models, resulting in weak demand during this adjustment phase and a slow recovery in the demand for furniture products.

During the Period, the franchise business was the most severely impacted by the weak market conditions, with a significant reduction in orders from franchisees. This led to a sharp increase in the idle rate of the Group's production facilities, severely impacting the Group's profit margins. During the Period, the Group decisively closed the operations of three self-operated stores. Although this resulted in a one-off impairment provision for store renovation and opening expenses, this measure is expected to help the Group preserve its strength and accumulate resources to seize opportunities when the market shifts. On the other hand, furniture project business for large commercial customers became a crucial pillar of the Group's business operations during the Period. Backed by its strategic shareholder Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司) ("Science City", together with its subsidiaries referred to as the "Science City Group"), "Royale Home", as one of the representative national brands, continued to actively negotiate project cooperation with commercial customers, expanding the scale and variety of furniture projects. The Group is optimistic about the growth of revenue from furniture projects for the year.

The Group's hotel located in Xiancun Town, Zengcheng District, Guangdong Province, which completed its upgrade and optimization in the third quarter of last year, re-entered the market with a brand-new image and positioning, receiving favorable reception from commercial clients and a wide range of travelers. The occupancy rate and revenue of the hotel business have significantly improved, with this positive development trend continuing.

During the Period, the Group reorganized its business structure. Given that the commodity trading business was terminated last year, revenue decreased significantly year-on-year due to the change of structure.

During the six months ended 30 June 2024, revenue decreased by 50.1% to approximately RMB253.2 million, while gross profit margin decreased from 19.8% to 7.0%. The Group recorded loss for the period attributable to the owners of the parent company of RMB147.6 million, as compared to loss for the period attributable to the owners of the parent company of RMB73.1 million for the same period of last year.

* For identification purposes only

FINANCIAL REVIEW

Inventory and Prepayments, Deposits and Other Receivables

During the Period, the Group's inventory decreased by 4.0% to RMB290.2 million (31 December 2023: RMB302.4 million).

Prepayments, deposits and other receivables increased by 4.4% to RMB421.9 million (31 December 2023: RMB404.0 million).

Working Capital

The Group had net current liabilities of RMB206.7 million as at 30 June 2024 (31 December 2023: net current liabilities of RMB96.1 million). The Group will continue to take initiatives to manage its cash flow and capital commitments. As of mid-August 2024, the Group's cash and cash equivalents was approximately RMB65.8 million. In addition, the Group had restricted cash of approximately RMB58.0 million. As such, there are sufficient funds to effectively support the operations of the Group.

PROSPECTS

In July 2024, during the 20th Third Plenary Session, a new model for real estate development was proposed, emphasizing the construction and supply of affordable housing to meet the rigid housing demand of the working class and to support the diverse improvement needs of urban and rural residents. The Central Government strongly supports the local governments' independent real estate market regulation, by allowing the adoption of tailored policies across various cities. These policies include the lifting or relaxation of housing purchase restrictions, as well as the revocation of distinctions between ordinary and non-ordinary housing standards. The Group believes that this will further stimulate housing demand, reduce the burden of housing consumption on residents, and accelerate the recovery of confidence in the real estate market as it moves out of its adjustment phase.

As national top-level policies are steadily implemented, the high-quality development of the real estate sector is expected to promote healthy and stable growth and recovery in the industry, potentially revitalizing the home furnishing sector and its related upstream and downstream industries. The Group will continue with flexible strategies in response to the complicated changing market conditions, particularly by leveraging its strong and deep strategic partnership with the Science City Group to actively advance collaborative projects with commercial customers, and deeply expand the scope and categories of its home furniture projects, so that the Group will enhance its revenue and market share.

In June 2024, the Group signed young artist Annabel Yao as its brand ambassador to initiate a new round of brand rejuvenation and upgrading to highlight the Group's youthful brand image, which would resonate with more young consumers. In the future, the Group is committed to offering highly aesthetic, high-quality, stylish and differentiated products to meet the diverse requirements of the new generation of consumers.

In light of a high-interest environment, the Group will focus on reducing debt expenses, with a view to converting high-interest short-term debts into lower-interest long-term debts. Meanwhile, the Group will seize opportunities to optimize the structure of fixed assets and rejuvenate assets to achieve better asset returns.

With the nation having established a clear direction for the reform and development of the real estate sector, the Group will patiently await opportunities, while continuing to strengthen its competitiveness and timely expand its business diversity, striving toward the goal of maximizing shareholder value.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash and cash equivalents amounted to RMB27.5 million as at 30 June 2024 (31 December 2023: RMB29.3 million).

As at 30 June 2024, the interest-bearing bank and other borrowings amounted to RMB2,307.2 million (31 December 2023: RMB2,389.9 million), the Group had loan from the immediate holding company, loan from the ultimate holding company, loan from an associate, loan from non-controlling interests and medium term bonds in the total amount of RMB571.2 million (31 December 2023: loan from the immediate holding company, loan from the ultimate holding company, loan from an associate, loan from non-controlling interests, loans from a director and medium term bonds were in the total amount of RMB328.6 million).

As at 30 June 2024, the current ratio (current assets/current liabilities) was 0.91 times (31 December 2023: 0.96 times) and the net current liabilities amounted to RMB206.7 million (31 December 2023: RMB96.1 million).

CAPITAL STRUCTURE

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

GEARING RATIO

The gearing ratio which is defined as net debt divided by capital plus net debt was 69% as at 30 June 2024 (31 December 2023: 66%).

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. The Group monitors its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

CONTINGENT LIABILITIES

During the Period, the Group has provided guarantees of RMB333,000,000 and pledged 40% equity interest in an associate to secure general banking facilities granted to the associate.

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2024 was approximately 1,011(31 December 2023: 1,358). The Group's remuneration policies are in line with local market practices where the Group operates and are normally reviewed on an annual basis. In addition to salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share awards may be granted to eligible employees and persons of the Group as the Company sees fit as an incentive to eligible participants to contribute to the business development and growth of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions under Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the Period under review except for the following deviation:

Code Provision C.2.1 of the CG Code stipulates that the roles of the Chairman of the Board and the Chief Executive Officer should be separate and should not be performed by the same individual, and that the division of responsibilities between the Chairman and the Chief Executive Officer should be clearly stated.

Code Provision C.2.1 of the CG Code provides that the roles of Chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. During the Period, Mr. Lin Ruhai has taken both the positions as Chairman and CEO. Mr. Lin Ruhai, in addition to his duties as Chairman, was also be responsible for the corporate strategic planning and overall business development of the Group as CEO. Mr. Lin Ruhai has extensive experience and his duties of overseeing the Group's operations are considered to be beneficial to the Group. The Company considers having Mr. Lin Ruhai acting as both Chairman and CEO would provide strong and consistent leadership to the Group and facilitate the efficient execution of business strategies within the Group. Since the Directors will meet regularly to consider major matters affecting operations of the Company, the Directors and the management of the Company believe that this structure will enable the Company to make and implement decisions promptly and efficiently. As a result, the Company currently does not propose to separate the functions of Chairman and CEO. The Board will continue to review and consider splitting the roles of Chairman and CEO at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

EVENTS AFTER REPORTING PERIOD

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

INTERIM DIVIDEND

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

AUDIT COMMITTEE REVIEW

The accounting information in the interim results for the Period has not been audited by the auditors of the Company but the audit committee of the Company has reviewed the financial results of the Group for the six months ended 30 June 2024 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 and relevant employees the code of conduct for dealings in securities of the Company as set out in Appendix C3 – Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) to the Listing Rules. The Company, having made specific enquiry, confirms that members of the Board complied throughout the Period with the Model Code.

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 2024.

PUBLICATION OF INTERIM REPORT

The 2024 interim report for the Period of the Company, which contains condensed consolidated financial statements for the six months ended 30 June 2024, and all other information required under Appendix D2 to the Listing Rules will be disseminated to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://royale.todayir.com>) in due course.

By order of the Board

Royale Home Holdings Limited

Lin Ruhai

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 30 August 2024

As at the date of this announcement, the Board comprises two executive directors, namely, Mr. Lin Ruhai (Chairman) and Mr. Tse Kam Pang (Co-Chairman); four non-executive directors, namely, Mr. Wu Zhongming, Mr. Tao Ying, Mr. Yao Jingming and Ms. Yang Ying; and three independent non-executive directors, namely, Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin.