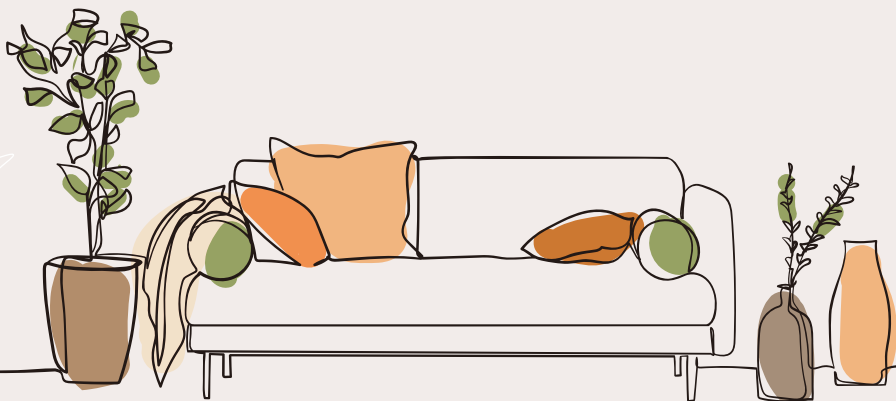


# INTERIM REPORT



# 2024





## CORPORATE INFORMATION

### DIRECTORS

#### Executive Directors

Mr. Lin Ruhai  
(Chairman and Chief Executive Officer)  
Mr. Tse Kam Pang (Co-Chairman)

#### Non-Executive Directors

Mr. Wu Zhongming  
Mr. Tao Ying  
Mr. Yao Jingming  
Ms. Yang Ying

#### 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

### LEGAL ADVISERS AS TO HONG KONG LAW

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

## CORPORATE INFORMATION

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong

### 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

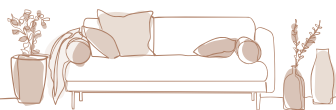
Room 607, 6/F  
Tsim Sha Tsui Centre, West Wing  
66 Mody Road  
Tsim Sha Tsui East  
Kowloon, Hong Kong

### 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

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

## MANAGEMENT DISCUSSION AND ANALYSIS

### 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).

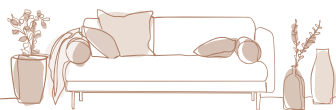
Prepayments, deposits and other receivables increased by 4.4% to RMB421.9 million (31 December 2023: RMB404.0 million).

#### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS



### PROSPECTS (Continued)

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.

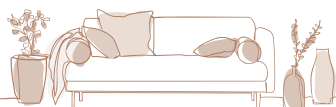
## MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2024, the interests and short positions of the directors of the Company (the "Directors") and chief executive of the Company in the shares of the Company ("Share(s)") 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 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	Note	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")	(a) and (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 POSITIONS IN SHARES AND UNDERLYING 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 2024.

Save as disclosed above, as at 30 June 2024, 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

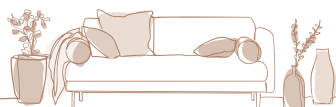
As at 30 June 2024, the following shareholders of the Company (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

#### Long positions

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 Group	(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 Group, a company established in the PRC with limited liability on 21 August 1984. As such, Science City Group 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 Group 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.



## MANAGEMENT DISCUSSION AND ANALYSIS



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

#### Long positions *(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 2024.

Save as disclosed above, as at 30 June 2024, 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.

### PERFORMANCE SHARE AWARD PLAN

The Company has adopted a performance share award plan (the "Performance Share Award Plan") on 14 May 2021.

The Administration Committee has considered the further development of Company, the market conditions and its trading share price and instructed the Trustee to purchase Shares constituting the pool of share awards. As at the date of this interim report, the Trustee has purchased and holds a total of 120,690,000 Shares (31 December 2023: 120,690,000 Shares) on the market on trust for the benefit of the Selected Persons pursuant to the rules of Performance Share Award Plan and the Trust Deed. The balance of share awards held by the Trustee represents approximately 4.64% (31 December 2023: 4.64%) to the total number of Shares in issue as at the date of this interim report.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PERFORMANCE SHARE AWARD PLAN *(Continued)*

During the Period, no Shares (six months ended 30 June 2023: 2,842,000 Shares) were purchased, no share awards (31 December 2023: nil) were granted and no share awards (31 December 2023: nil) were vested, cancelled or lapsed under the Performance Share Award Plan. There were no outstanding share awards under the Performance Share Award Plan as at 1 January 2024 and as at 30 June 2024.

The number of share awards available for grant under the plan mandate of 129,928,066 Shares as at both 1 January 2024 and 30 June 2024 were 129,928,066 (31 December 2023: 129,928,066), representing 5% of the Shares in issue.

### LIQUIDITY AND FINANCIAL RESOURCES

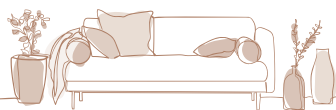
The Group maintained cash and cash equivalents amounted to RMB27.5 million as at 30 June 2024 (31 December 2023: RMB29.3 million).

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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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%).

### PLEDGE OF ASSETS

As at 30 June 2024, the Group pledged (i) buildings and a right-of-use asset which had aggregate carrying values of approximately RMB575,518,000 (31 December 2023: RMB576,668,000); (ii) time deposits amounting to RMB100,000,000 (31 December 2023: RMB159,041,000); (iii) inventories amounting to RMB21,918,000 (31 December 2023: RMB21,918,000); (iv) certain machinery amounting to RMB22,878,000 (31 December 2023: RMB23,464,000); and (v) 40% equity interest in an associate of approximately RMB717,707,000 (31 December 2023: RMB718,223,000) to secure general banking facilities granted to the associate.

### SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Particulars of material investments in associates held by the Group as at 30 June 2024 are set out as follows:

Name	Principal activity	Percentage of equity interest held	Carrying amount		Percentage to the Group's total assets as at 30 June 2024
			As at 30 June 2024 RMB'000	As at 31 December 2023 RMB'000	
Guangzhou Fu Yue Design Company Limited ("Fuyue Design")	Design services	50%	69,988	70,297	1.35%
Sky Walker Limited ("Sky Walk")	Investment	42.42%	107,405	107,363	2.08%
Guangzhou Gangke Real Estate Co., Ltd. ("Gangke")	Real Estate	40%	717,707	718,223	13.88%
SC Financial Leasing	Financial Leasing	25%	380,817	381,083	7.36%

## MANAGEMENT DISCUSSION AND ANALYSIS

### SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS *(Continued)*

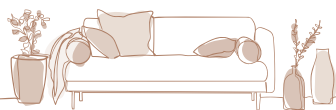
Save for the aforementioned, the Group did not make any material acquisition or disposal of subsidiaries, associated companies and joint ventures or any significant investments during the Period.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, as at 30 June 2024, the Group did not have other future plans for material investments or capital assets.

### USE OF NET PROCEEDS FROM THE SHARE SUBSCRIPTION

On 24 May 2019, the Company and SCHK entered into a Subscription Agreement ("Subscription") pursuant to which the Company has conditionally agreed to issue, and 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

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

The details of the use of net 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 2024 (HK\$ million)	Net proceeds utilised during the six months ended 30 June 2024 (HK\$ million)	Amount utilised up to 30 June 2024 (HK\$ million)	Unutilised proceeds as at 30 June 2024 (HK\$ million)	Expected timeline (Note)
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	4.1	-	125.9	4.1	By 31 December 2025
Imported machinery for new production facilities	80.0	80.0	40.4	-	39.6	40.4	By 31 December 2025
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	-	-
Total	440.2	440.2	44.5	-	395.7	44.5	

Note: Previously, due to the outbreak of COVID-19, the Group's expansion plan in relation to the construction of new production facilities and imported machinery for new production facilities had been delayed. Due to a slow recovery of consumer demand and a weak property market in the PRC, the Company considers that focus should be put on effective resources allocation and management. It is consistent with the macroeconomic condition and the Company's position to adopt a more prudent expansion strategy with an emphasis on maintaining stable operations. It is also important to take into account the Group's financial condition together with the prevailing market conditions as a whole to determine the priority of the utilisation of funds. The expected timeline for each purpose is based on the Group's best estimate of future market conditions in combination with the business plan and market conditions, which may be subject to change based on the current and future development of market conditions. After considering a range of factors (which are analysed and disclosed in this report), including without limitation the actual business plan and funding needs of the Group, the priorities of fund utilization and business development of the Group, the overall financial condition of the Group and market conditions, the Company has made certain adjustments to the expected timeline based on the current estimate. The Board considers that it is appropriate to extend the expected timeline for the application of such unutilised proceeds to 31 December 2025.

## 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. 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.

### EVENTS AFTER REPORTING PERIOD

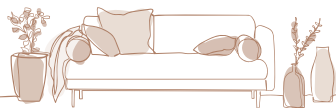
No significant events affecting the Group had occurred after the Period and up to the date of this report.

### 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).

### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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.



## MANAGEMENT DISCUSSION AND ANALYSIS

### 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

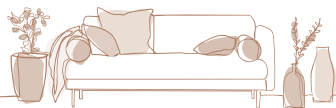
The Company has adopted for compliance by the directors and relevant employees the code of conduct for dealings in securities of the Company as set out in Appendix C3 – Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) to the Listing Rules. The Company, having made 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.

### PUBLIC FLOAT

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



## MANAGEMENT DISCUSSION AND ANALYSIS

### COMPLIANCE WITH LISTING RULES

For the construction of the household products production and development project (phase 2) on the site located in Guangde (Yingde) Industrial Park (the "Project") due to re-alignment of production lines, on 10 February 2023, Guangdong Hengcheng Furniture Ltd.\* (廣東恒誠傢俬有限公司, "Guangdong Hengcheng") (an indirect wholly-owned subsidiary of the Company) entered into a construction agreement with Science City (Guangzhou) Architecture and Construction Co., Ltd.\* (科學城(廣州)建築工程有限公司) ("SC (GZ) Construction") and Guangzhou Construction Industry Development Co., Ltd.\* (廣州建築產業開發有限公司) ("Guangzhou Construction"), pursuant to which SC (GZ) Construction and Guangzhou Construction agreed to provide construction services for the construction of the Project. For details, please refer to the announcement of the Company dated 24 January 2024.

The Company should have complied with the relevant reporting and announcement requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Construction Agreements, which constituted a connected transaction, as and when such obligations arose. The Company did not comply with the announcement requirement under Chapter 14A of the Listing Rules due to a misunderstanding that the Construction was in the ordinary and usual course of business of the Group and part of the day to day business activities of the Group. To prevent similar non-compliance from occurring in the future, the Company has taken the remedial actions and measures.

### CHANGES IN INFORMATION OF DIRECTORS

There is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Period.

\* For identification purposes only

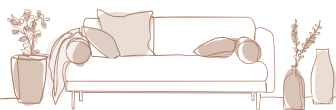
# MANAGEMENT DISCUSSION AND ANALYSIS

## CONTINUING DISCLOSURE REQUIREMENTS UNDER RULES 13.20 AND 13.22 OF CHAPTER 13 OF THE LISTING RULES AND DETAILS OF LOANS GRANTED

In accordance with the requirements of Rules 13.20 and 13.22 of the Listing Rules, the following were the details of advances to entity and financial assistances to an affiliated company of the Group which, together in aggregate, exceed 8% of the Group's total assets as at 30 June 2024.

Name of counterparty/ affiliated company	Amount	Nature	Interest rate	Repayment terms/method of repayment and maturity date	Security/ collateral	Source of funding	Banking facilities utilised or to be utilised which are guaranteed by the Group
1. Gangke <sup>(1)</sup>	Principal amount of up to RMB732 million	Shareholder's loan	8%-12.5% per annum	Repayable on demand	Unsecured	The Group's internal resources	N/A
2. Gangke <sup>(2)</sup>	Principal amount of up to RMB30 million	Loan	12.5% per annum	Repayable on demand	Unsecured	The Group's internal resources	N/A
3. Gangke <sup>(3)</sup>	Maximum RMB320 million	Share pledge provided by Wanlibao for the benefit of Industrial and Commercial Bank of China Limited, Xintang, Guangzhou Branch (中國工商銀行股份有限公司廣州新塘支行) over the 40% equity interests in the Gangke held by Wanlibao to secure the repayment of bank loan by Gangke	N/A	N/A	N/A	N/A	RMB216.71 million
4. Gangke <sup>(4)</sup>	Maximum RMB13 million	Guarantee provided by Wanlibao for the benefit of Guangzhou Yuexiu Industrial Investment Co., Ltd.* (廣州越秀實業投資有限公司) to guarantee the repayment of bank loan by Gangke	N/A	N/A	N/A	N/A	RMB10 million
Total	RMB1,095 million						RMB226.71 million

\* For identification purposes only



## MANAGEMENT DISCUSSION AND ANALYSIS

### CONTINUING DISCLOSURE REQUIREMENTS UNDER RULES 13.20 AND 13.22 OF CHAPTER 13 OF THE LISTING RULES AND DETAILS OF LOANS GRANTED *(Continued)*

#### Notes:

- (1) Pursuant to a joint venture agreement dated 27 October 2020 (the "JV Agreement"), the parties agreed to establish Gangke for the purpose of acquiring a parcel of land situated at Hengling Village, Shitan Town, Zengcheng District, Guangzhou\* (廣州市增城區石灘鎮橫嶺村) of residential (and commercial) uses with a total land area of approximately 196,435.11 square metres (the "Target Land Parcel"). Gangke has successfully acquired the Target Land Parcel at the public auction held on 11 November 2020. Under the JV Agreement, the maximum commitment of Guangzhou Wanlibao Investment Co., Ltd.\* (廣州萬利寶投資有限公司) ("Wanlibao") to Gangke, determined based on the shareholding percentage of Wanlibao in Gangke (i.e. 40%), amounts to RMB1.532 billion (the "Total Commitment"). Gangke represents an investment in an associate of the Company. Its equity interest is held as to 40% by Wanlibao (a wholly-owned subsidiary of the Company) and 60% by Jiangsu Ganglong Huayang Real Estate Co., Ltd.\* ("Jiangsu Ganglong", 江蘇港龍華揚置業有限公司), an indirect wholly-owned subsidiary of Ganglong China Property Group Limited (the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 6968)).

Wanlibao has extended to Gangke a shareholder's loan, being a part of the Total Commitment, representing a commitment and obligation of the Group under the JV Agreement, which is binding on the Group. Pursuant to a letter of confirmation dated 5 January 2022 entered into between Wanlibao and Gangke, the parties have agreed and confirmed the provision of a shareholder's loan (the "Shareholder's Loan") in the principal amount of up to RMB732 million and that certain previous contributions made shall be deemed to be and construed as advances provided by Wanlibao to Gangke under the Shareholder's Loan (and the date of such advances shall be deemed to be and construed as the date of drawdown under the Shareholder's Loan).

The Company considered that the establishment of Gangke represented a good investment opportunity to the Group, through which the Group will be able to hold an investment interest in Gangke and enjoy the estimated earnings of the development project in relation to the Target Land Parcel (the "Development Project"). With the Group's familiarity with and long-established presence in the Zengcheng District, and taking into account Jiangsu Ganglong's expertise and experience in property development projects; it is expected that the parties will exert their respective advantages and contribute to the successful development of Gangke and the Development Project.

- (2) Guangzhou Royal Furniture Company Limited\* ("Guangzhou Royal", 廣州皇朝家具有限公司), an indirect wholly-owned subsidiary of the Company, extended a loan to Gangke in the principal amount of up to RMB30.0 million (the "Loan"). The Loan was provided as further financial support for the Development Project, demonstrating the Group's continuous dedication in solidifying its investment as well as locking future return. As a key investment of the Group, the Group remains committed to the exploitation and realization of its potential, and will utilize its resources for such purpose having regard to the Group's funding needs, cashflow positions and business plan and strategy.

\* For identification purposes only

## MANAGEMENT DISCUSSION AND ANALYSIS

### CONTINUING DISCLOSURE REQUIREMENTS UNDER RULES 13.20 AND 13.22 OF CHAPTER 13 OF THE LISTING RULES AND DETAILS OF LOANS GRANTED *(Continued)*

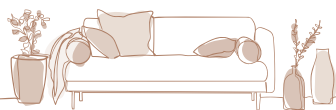
Notes: *(Continued)*

- (3) A pledge over 40% of the equity interest in Gangke held by Wanlibao was provided by Wanlibao in favour of Industrial and Commercial Bank of China Limited, Xintang, Guangzhou Branch (中國工商銀行股份有限公司廣州新塘支行) pursuant to the terms of pledge agreement dated 29 September 2021 entered into between Wanlibao as pledgor and the lender as pledgee to secure the repayment of a maximum loan amount of RMB320 million. The pledge was provided by the Group in support of the Development Project, which enabled Gangke to obtain external financings while at the same time creating no immediate capital outflow for the Group.
- (4) A guarantee was provided by Wanlibao in favour of Guangzhou Yuexiu Industrial Investment Co., Ltd.\* (廣州越秀實業投資有限公司) pursuant to the terms of guarantee agreement dated 23 March 2023 entered into between Wanlibao as guarantor and the lender as guarantee to guarantee the repayment of a maximum loan amount of RMB13 million. The guarantee was provided by the Group in support of the Development Project, which enabled Gangke to obtain external financings while at the same time creating no immediate capital outflow for the Group.

A statement of financial position of the affiliated company as at 30 June 2024 required to be disclosed under Rule 13.22 of the Listing Rules is set out below:

	<b>Statement of financial position</b>	<b>Group's attributable interest</b>
	RMB'000	RMB'000
Current assets	4,710,344	1,884,138
Non-current assets	355	142
Current liabilities	2,239,026	895,611
Non-current liabilities	677,406	270,962
Net assets	1,794,267	717,707

\* For identification purposes only



## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

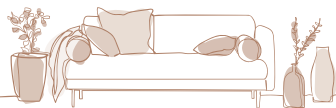
		Six months ended 30 June	
	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited) (Restated)
REVENUE	4	253,168	507,737
Cost of sales		(235,442)	(407,046)
Gross profit		17,726	100,691
Other income and gains	4	28,507	24,667
Selling and distribution expenses		(67,249)	(78,978)
Administrative expenses		(64,588)	(60,954)
Finance costs	6	(77,931)	(72,172)
Share of profits and losses of: Associates		13,251	11,138
LOSS BEFORE TAX	5	(150,284)	(75,608)
Income tax credit	7	182	—
LOSS FOR THE PERIOD		(150,102)	(75,608)

## CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Six months ended 30 June	
	Notes	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited) (Restated)
Attributable to:			
Owners of the parent		(147,638)	(73,146)
Non-controlling interests		(2,464)	(2,462)
		(150,102)	(75,608)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		RMB(5.958) cents	RMB(2.944) cents
Diluted		N/A	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 2024

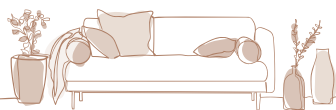
	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
		(Restated)
LOSS FOR THE PERIOD	<b>(150,102)</b>	(75,608)
OTHER COMPREHENSIVE INCOME		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign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



# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

	Notes	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
<b>NON-CURRENT ASSETS</b>			
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
<b>Total non-current assets</b>		<b>3,083,344</b>	<b>3,145,022</b>
<b>CURRENT ASSETS</b>			
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
<b>Total current assets</b>		<b>2,088,946</b>	<b>2,160,777</b>
<b>CURRENT LIABILITIES</b>			
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
<b>Total current liabilities</b>		<b>2,295,602</b>	<b>2,256,885</b>
<b>NET CURRENT LIABILITIES</b>		<b>(206,656)</b>	<b>(96,108)</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>2,876,688</b>	<b>3,048,914</b>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024

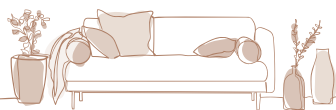
	<b>30 June 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
NON-CURRENT LIABILITIES		
Medium term bonds	<b>39,427</b>	37,494
Interest-bearing bank and other borrowings	<b>894,705</b>	909,743
Loan from the immediate holding company	<b>113,305</b>	95,113
Lease liabilities	<b>13,187</b>	37,130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

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Attributable to owners of the Company											
	Shares held under Performance											Total equity
	Issued share capital	Share Award Plan	Share premium account	Special reserve safety fund	Capital reserve	Asset revaluation reserve	Statutory reserve	Exchange fluctuation reserve	Retained profit	Total	Non-controlling interests	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 1 January 2023 (restated)	221,592	(188,961)	968,007	3,528	(7,953)	177,530	110,712	(9,673)	777,667	2,012,449	123,799	2,136,248
Loss for the period (restated)	-	-	-	-	-	-	-	-	(73,146)	(73,146)	(2,462)	(75,608)
Dividends approved in respect of the previous years (Note 8) (restated)	-	-	(23,493)	-	-	-	-	-	-	(23,493)	-	(23,493)
Shares purchase under the Performance Share Award Plan (restated)	-	(4,450)	-	-	-	-	-	-	-	(4,450)	-	(4,450)
Other comprehensive income for the period:												
Exchange differences related to foreign operations (restated)	-	-	-	-	-	-	-	5,050	-	5,050	(51)	4,999
At 30 June 2023 (unaudited) (restated)	221,592	(193,411)	934,514	3,528	(7,953)	177,530	110,712	(34,623)	704,521	1,916,410	121,286	2,037,696
At 1 January 2024	221,592	(199,655)	934,514	-	(7,953)	190,118	111,488	(31,050)	402,146	1,621,200	165,324	1,786,524
Loss for the period	-	-	-	-	-	-	-	-	(147,638)	(147,638)	(2,464)	(150,102)
Other comprehensive income for the period:												
Exchange differences related to foreign operations	-	-	-	-	-	-	-	(2,403)	-	(2,403)	(63)	(2,466)
At 30 June 2024 (unaudited)	221,592	(199,655)*	934,514*	-*	(7,953)*	190,118*	111,488*	(33,453)*	254,508*	1,471,159	162,797	1,633,956

\* These reserve accounts comprise the consolidated reserves of RMB1,249,567,000 (31 December 2023: RMB1,399,608,000) in the interim condensed consolidated statement of financial position.



## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited) (Restated)
Net cash flows used in operating activities	(199,641)	(93,546)
Net cash flows from/(used in) investing activities	125,505	(87,037)
Net cash flows from/(used in) financing activities	72,246	(162,233)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,890)	(342,816)
Cash and cash equivalents at beginning of period	29,270	356,829
Effect of foreign exchange rate changes, net	91	103
CASH AND CASH EQUIVALENTS AT END OF PERIOD	27,471	14,116
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	27,471	14,116

## 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.

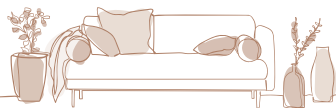
#### Going concern basis

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.

\* For identification purposes only



## NOTES TO FINANCIAL STATEMENTS

At 30 June 2024

### 1. BASIS OF PREPARATION (Continued)

#### Going concern basis (Continued)

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.

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.

# NOTES TO FINANCIAL STATEMENTS

At 30 June 2024

## 2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

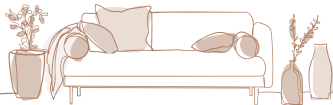
The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2023, except for the adoption of the following new 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.



## NOTES TO FINANCIAL STATEMENTS

At 30 June 2024

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

- (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.



## NOTES TO FINANCIAL STATEMENTS

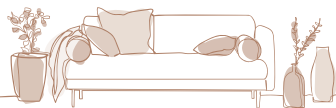
At 30 June 2024

### 3. OPERATING SEGMENT INFORMATION (Continued)

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	239,697	–	8,696	4,775	253,168
Reconciliation:					
Revenue from continuing operations					253,168
Segment results	(48,455)	(35,275)	(14,435)	51	(98,114)
Reconciliation:					
Reportable segment profit/(loss) before taxation	(48,591)	(35,275)	(14,435)	51	(98,250)
Unallocated expenses					(66,068)
Share of profit of associates					14,034
Loss before tax from continuing operations					(150,284)



## NOTES TO FINANCIAL STATEMENTS

At 30 June 2024

### 3. OPERATING SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2023 (Unaudited)

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

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.

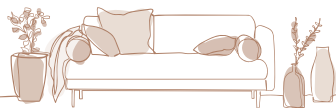
## NOTES TO FINANCIAL STATEMENTS

At 30 June 2024

### 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)
<b>Revenue</b>		
Sales of goods	195,498	453,527
Installation and other ancillary services	48,974	49,020
Hotel operation income	8,696	5,190
	<b>253,168</b>	507,737
<b>Other income and gains</b>		
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
	<b>28,507</b>	24,667
	<b>281,675</b>	532,404



## NOTES TO FINANCIAL STATEMENTS

At 30 June 2024

### 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

### 6. FINANCE COSTS

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

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2024

### 7. INCOME TAX CREDIT

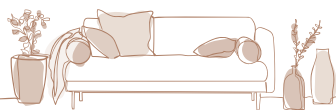
Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited) (Restated)
Current – PRC corporate income tax	(182)	–
Total tax credit for the period	(182)	–

### 8. DIVIDENDS

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

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).



## NOTES TO FINANCIAL STATEMENTS

At 30 June 2024

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

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2024

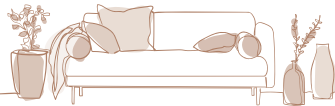
### 10. TRADE RECEIVABLES

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:

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



## NOTES TO FINANCIAL STATEMENTS

At 30 June 2024

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

### 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 2024 RMB'000 (Unaudited)</b>	31 December 2023 RMB'000 (Audited)
Carrying amount at 1 January	<b>37,494</b>	34,253
Accrued interest expenses	<b>1,527</b>	2,836
Payment for interests	<b>(469)</b>	(615)
Exchange realignment	<b>875</b>	1,020
Carrying amount	<b>39,427</b>	37,494



## NOTES TO FINANCIAL STATEMENTS

At 30 June 2024

### 13. RELATED PARTY TRANSACTIONS

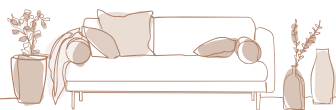
#### (a) Transactions with related parties

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	
	Note	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited) (Restated)
Science City Group and the then affiliates:			
Sales of products	(i)	4,014	90
Decoration services, installation and other ancillary services	(i)	358	1,836
Purchase of consultation services		119	–
Purchases of construction services		2,522	3,432
Purchases of management services		–	47
Rental expenses		–	191
Loan from the ultimate holding company		289,900	100,000
Loan from the immediate holding company		12,665	26,791
Loans from an associate		–	125,000
Loans from an associate of the ultimate holding company		–	200,000
Guarantee fees		8,932	575
Interest expenses		8,082	9,686
Other related parties:			
Sales of products		149	–
Decoration services, installation and other ancillary services		–	12,588
Loan from a director		–	66,409
Interest income from associates		21,083	21,424

Note:

- (i) The sales to the fellow subsidiaries were made according to the published prices and conditions offered to the major customers of the Group.



## NOTES TO FINANCIAL STATEMENTS

At 30 June 2024

### 13. RELATED PARTY TRANSACTIONS (Continued)

#### (b) Outstanding 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	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited) (Restated)
Trade receivables due from related parties:			
The ultimate holding company	(i)	19,199	13,689
Fellow subsidiaries	(i)	2,637	9,845
Associates	(i)	18,008	19,391
		<b>39,844</b>	42,925
Other receivables due from related parties:			
Science City and the then affiliates	(i)	3,474	35,000

Note:

- (i) These balances are unsecured, interest-free and have no fixed terms of repayment.

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

	Six months ended 30 June 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited) (Restated)
Short term employee benefits	3,864	5,226
Pension scheme contributions	48	81
Total compensation paid to key management personnel	<b>3,912</b>	5,307

## NOTES TO FINANCIAL STATEMENTS

At 30 June 2024

### 14. COMMITMENTS

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

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

### 15. CONTINGENT LIABILITIES

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

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

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.

### 16. COMPARATIVE FIGURES

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

By Order of the Board

**Lin Ruhai**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 30 August 2024

