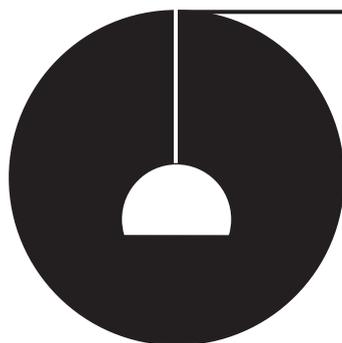




ROYALE HOME HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1198



2023
INTERIM
REPORT



CORPORATE INFORMATION



DIRECTORS

Executive Directors

Mr. Yang Jun (*appointed as Chairman on 9 June 2023, Chief Executive Officer*)

Mr. Tse Kam Pang (*re-designated from Chairman to Co-chairman on 9 June 2023*)

Non-Executive Directors

Mr. Wu Zhongming

Ms. Qin You

Mr. Tao Ying (*appointed on 18 January 2023*)

Mr. Yao Jingming (*appointed on 4 September 2023*)

Mr. Wu Dingliang (*resigned on 18 January 2023*)

Mr. Chen Yisheng (*resigned on 4 September 2023*)

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

MANAGEMENT DISCUSSION AND ANALYSIS



BUSINESS REVIEW

Despite the consumer momentum in the post-pandemic era has yet to see improvement during the first half of 2023, the economy and society have gradually returned to normalcy. The central government has introduced a series of policies aimed at boosting consumer spending, which has enabled the gradual stabilization and improvement of economic performance. By seizing market opportunities in the post-pandemic period, the Group deepened sustainable development of its home furnishing business divisions, including: sofa, custom-made furniture, high-end finished furniture and sleep products divisions, etc.. This strategic move aims to provide diversified products to the public, thereby facilitating the development of the Group's core business operations.

During the six months ended 30 June 2023 (the "Period") under review, the Group continued to optimize its physical franchise network in response to market demands by recruiting superior franchisees and eliminate inferior ones. Given that the consumer demand currently is in the phase of recovery and coupled with the sluggish real estate industry, the Group is committed to focusing on the development of one-stop comprehensive product offerings to capture the demand in the market.

By increasingly deepening its cooperation with its strategic controlling 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, "Science City Group"), the Group continued to explore and develop new revenue channels, achieving impressive mutually beneficial results. The Group achieved significant growth in home furnishing projects during the Period, partially alleviating the pressure on the franchise business caused by the pandemic. In addition, the Group has further promoted project collaborations with commercial clients, so as to expand the scale of home furnishing projects. Being one of Huawei Group's designated furniture suppliers, the Group has provided high-quality custom-made furniture, sofas, and movable furniture, along with comprehensive and thoughtful after-sales services, to multiple Huawei parks, including the Songshan Lake park in Dongguan. This provides Huawei Group employees at all levels with ideal working and living spaces.

During the first half of the year, the Group restored its leisure resort hotel in Xiancun, Guangdong from a pandemic hotel with renovations and facility upgrades. The Group plans to reintroduce the hotel to the market in the second half of the year under an entirely new brand image, embracing the recovery of the domestic tourism industry.

During the six months ended 30 June 2023, revenue decreased by 19.3% to approximately HK\$573.4 million, while gross profit margin increased from 17.2% to 19.8%. The Group recorded loss for the period attributable to the owners of the parent company of HK\$82.6 million, as compared to loss for the period attributable to the owners of the parent company of HK\$73.8 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 1.6% to HK\$277.3 million (31 December 2022: HK\$281.9 million).

Prepayments, deposits and other receivables decreased by 1.0% to HK\$514.6 million (31 December 2022: HK\$519.8 million).

Working Capital

The Group had net current assets of HK\$125.3 million as at 30 June 2023 (31 December 2022: net current assets of HK\$326.8 million). The Group will continue to take initiatives to manage its cash flow and capital commitments. As of mid-August 2023, the Group's cash and cash equivalents was approximately HK\$320 million. In addition, the Group had restricted cash of approximately HK\$230 million. As such, there are sufficient funds to effectively support the operations of the Group.

PROSPECTS

In July 2023, the National Development and Reform Commission released 20 measures to promote the recovery and expansion of consumption. These measures aim to deepen the implementation of the strategy to expand domestic demand and fully leverage the fundamental role of consumption in economic development. The Group will continue to optimize its business operation quality, enrich the sales network of furniture products, accelerate the pace of store expansion and enhance scalability.

The Group will continue to integrate the franchisee operation model, optimize the management by region, and encourage cooperation with superior franchisees to set up integrated one-stop home services stores, targeting the convenience-seeking younger generation market. This approach will drive regional resource sharing, and assist franchisees in curtailing operating costs, thereby enhancing the overall efficiency, market competitiveness and profitability of the sales network.

Looking into the future, the Group will vigorously promote project collaborations with commercial clients, as part of our efforts to expand the scope of the home furnishing project business. We are actively exploring the engagement opportunities in various home furnishing projects, demonstrating our ongoing commitment to enhance the Group's revenue.

MANAGEMENT DISCUSSION AND ANALYSIS



PROSPECTS (Continued)

In response to the complex and ever-changing market conditions, the Group keeps close track of favorable policies introduced by the China government. By strengthening our internal system, the Group will focus on implementing the central procurement system in the second half of the year, which enabling more effective management and optimization of manufacturing costs. Simultaneously, the Group will optimize its fixed asset mixture and revitalize its assets to increase asset returns. As of mid-August 2023, the Group's cash and cash equivalents was approximately HK\$320 million. In addition, the Group had restricted cash of approximately HK\$230 million. As such, there are sufficient funds to effectively support the operations of the Group.

Looking forward, the home furnishing industry is facing various challenges. Leveraging on the "Royal" brand that has been established over the years and adopting a prudent operation model, the Group will continue to effectively operate the Group's businesses and capture market opportunities to enhance its overall strength and maximize shareholder value.

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

As at 30 June 2023, 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")	(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 OFFICER'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 2023.

Save as disclosed above, as at 30 June 2023, 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 2023, 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:

- (a) 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).
- (b) Crisana is wholly-owned by Mr. Tse Kam Pang, a Director of the Company.
- (c) Charming Future is wholly-owned by Mr. Tse Kam Pang, a Director of the Company.
- (d) 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 2023.

Save as disclosed above, as at 30 June 2023, 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.

Details of the Performance Share Award Plan were set out in the announcement of the Company dated 14 May 2021, the 2021 Annual Report and the 2022 Annual Report.

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 for the purpose of the pool of share awards. As at the date of this interim report, the Trustee has purchased and holds a total of 115,808,000 Shares (31 December 2022: 112,966,000 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 4.46% (31 December 2022: 4.35%) 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, 2,842,000 Shares (six months ended 30 June 2022: 1,774,000 Shares) were purchased, no share awards (31 December 2022: nil) were granted and no share awards (31 December 2022: 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 2023 and as at 30 June 2023.

The number of share awards available for grant under the plan mandate of 129,928,066 Shares as at both 1 January 2023 and 30 June 2023 were 129,928,066 (31 December 2022: 129,928,066), representing 5% of the Shares in issue.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash and cash equivalents amounted to HK\$15.3 million as at 30 June 2023 (31 December 2022: HK\$403.9 million). The significant decrease in cash and cash equivalents was mainly due to additional investment in an associate, repayment of short-term borrowings, interests paid and net cash flows used in operating activities during the Period.

As at 30 June 2023, the interest-bearing bank and other borrowings amounted to HK\$2,315.1 million (31 December 2022: HK\$2,547.0 million), the Group had loan from an associate, loan from the ultimate holding company, loan from the immediate holding company, loan from non-controlling interests, loans from a director and medium term bonds in the total amount of HK\$444.8 million (31 December 2022: loan from an associate, loan from the immediate holding company, loan from non-controlling interests and medium term bonds were in the total amount of HK\$419.2 million).

As at 30 June 2023, the current ratio (current assets/current liabilities) was 1.07 times (31 December 2022: 1.16 times) and the net current assets amounted to HK\$125.3 million (31 December 2022: HK\$326.8 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 59% as at 30 June 2023 (31 December 2022: 56%).

MANAGEMENT DISCUSSION AND ANALYSIS

PLEDGE OF ASSETS

As at 30 June 2023, the Group pledged (i) buildings and a right-of-use asset which had aggregate carrying values of approximately HK\$660,828,000 (31 December 2022: HK\$624,134,000); (ii) time deposits amounting to HK\$161,755,000 (31 December 2022: HK\$168,640,000); (iii) inventories amounting to HK\$7,619,000 (31 December 2022: HK\$7,973,000); (iv) certain machinery amounting to HK\$92,265,000 (31 December 2022: HK\$101,639,000); (v) construction in progress amounting to Nil (31 December 2022: HK\$61,356,000); (vi) an investment property amounting to HK\$236,662,000 (31 December 2022: HK\$236,662,000) to secured certain bank and other borrowings granted to the Group; and (vii) 40% equity interest in an associate of approximately HK\$792,765,000 (31 December 2022: HK\$834,117,000) 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 2023 are set out as follows:

Name	Principal activity	Percentage of equity interest held	Carrying amount	
			As at 30 June 2023	As at 31 December 2022
			HK\$'000	HK\$'000
Gangzhou Fu Yue Design Company Limited ("Fuyue Design")	Design services	50%	78,308	82,300
Sky Walker Limited ("Sky Walk")	Investment	42.42%	129,618	135,595
Guangzhou Gangke Real Estate Co., Ltd. ("Gangke")	Real Estate	40%	792,765	834,117
SC Financial Leasing	Financial Leasing	25%	411,794	330,694

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 as well as any significant investments during the Period. Apart from those disclosed in this interim report, there was no plan authorised by the board of directors of the Company (the “Board”) for other material investments or additions of capital assets at the date of this interim report.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this report, as at 30 June 2023, the Group did not have other future plans for material investments or capital assets.

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

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 AND CHANGE IN USE OF PROCEEDS (Continued)

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

Proposed use of proceeds	Original allocation of the net proceeds (HK\$ million)	Revised use of proceeds (HK\$ million)	Unutilised net proceeds as at 1 January 2023 (HK\$ million)	Net proceeds utilised during the six months ended 30 June 2023 (HK\$ million)	Amount utilised up to 30 June 2023 (HK\$ million)	Unutilised proceeds as at 30 June 2023 (HK\$ million)	Expected timeline
Repaying certain loans of the Company	100.0	100.0	-	-	100.0	-	-
Acquisition of land	30.0	30.0	-	-	30.0	-	-
Construction of new production facilities	130.0	130.0	26.7	4.2	107.5	22.5	By 31 December 2024 (Note)
Imported machinery for new production facilities	80.0	80.0	42.0	-	38.0	42.0	By 31 December 2024 (Note)
Expenditure for establishing warehouses/new distribution spot on the Group's land in northern China	60.0	-	-	-	-	-	-
General working capital	40.2	100.2	-	-	100.2	-	-
Total	440.2	440.2	68.7	4.2	375.7	64.5	

Note:

As disclosed in the 2021 interim report of the Company published on 29 September 2021, the 2021 annual report of the Company published on 28 April 2022 (the "2021 Annual Report"), the 2022 interim report of the Company published on 29 September 2022 and the 2022 annual report of the Company published on 27 April 2023 (the "2022 Annual Report"), due to the outbreak of COVID-19, the Group's plan in relation to the construction of new production facilities and imported machinery for new production facilities had been delayed. The part of the actual net proceeds which were expected to be utilised by 1 August 2021 and further extended to 30 April 2022, 31 December 2022 and 31 December 2023 were not fully utilized in view of the delayed progress. 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 2024.

MANAGEMENT DISCUSSION AND ANALYSIS



FOREIGN EXCHANGE EXPOSURES

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

CONTINGENT LIABILITIES

During the Period, the Group has provided guarantees of HK\$346,080,000 (equivalent to RMB320,000,000) 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 2023 (six months ended 30 June 2022: Nil).

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2023 was approximately 1,459 (31 December 2022: 1,490). 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.

The Group adopted the Performance Share Award Plan on 14 May 2021. The purpose of the Performance Share Award Plan is to recognise and reward the contribution of certain eligible persons (i.e. any full-time employee of the Group, including directors, executive, officers or senior management of the Group (but excluded directors or the chief executive officer of the Company)) towards the growth and development of the Group through an award of shares. Details of the Performance Share Award Plan has been disclosed in the announcement dated 14 May 2021. As at 30 June 2023, no Shares have been awarded to any eligible persons pursuant to the Performance Share Award Plan.

MANAGEMENT DISCUSSION AND ANALYSIS

CORPORATE GOVERNANCE CODE

The Company has complied with all of the applicable code provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) throughout the Period, except for the deviation explained below:

Code Provision C.2.1 of the CG Code provides that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company notes that following the taking effect of the appointment of Mr. Yang Jun (“Mr. Yang”) as chairman of the Board (the “Chairman”) with effect from 9 June 2023, Mr. Yang has since then taken both the positions as Chairman and chief executive officer of the Company (the “CEO”). Mr. Yang, in addition to his duties as Chairman, will also be responsible for the corporate strategic planning and overall business development of the Group as CEO. Mr. Yang 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. Yang acting as both Chairman and CEO will 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.

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 2023 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.

MANAGEMENT DISCUSSION AND ANALYSIS



MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted for compliance by the Directors the Model Code.

Having made specific enquiry to all the Directors, the Directors confirmed that they had complied with the Model Code for the period ended 30 June 2023.

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 2023.

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.

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 an entity and/or financial assistances to affiliated company of the Group and exceed 8% of the Group's total assets as at 30 June 2023 recorded in the unaudited financial statements of the Group for the period ended 30 June 2023 pursuant to Rules 13.13 and 13.16 thereof.

Gangke represents an investment in an associate of the Company. Its equity interest is held as to 40% and 60% by Guangzhou Wanlibao Investment Co., Ltd.* (廣州萬利寶投資有限公司) ("Wanlibao") and Jiangsu Ganglong Huayang Real Estate Co., Ltd.* (江蘇港龍華揚置業有限公司) ("Jiangsu Ganglong").

* 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)*

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 Wanlibao to the Gangke, determined based on the shareholding percentage of Wanlibao in the Gangke (i.e. 40%), amounts to RMB1.532 billion (the “Total Commitment”). The Shareholder’s loan, being a part of the Total Commitment, represents 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, 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 the 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 principal terms of the Shareholder’s Loan are set out below:

Principal amount	:	Up to RMB732 million
Drawdown	:	More than one drawdown may be made under the Shareholder’s Loan. The Shareholder’s Loan is a revolving loan.
Interest Rate	:	8% per annum
Repayment	:	Repayable on demand
Collateral	:	The Shareholder’s Loan is not secured by any collateral.

A pledge over 40% of the equity interest in Gangke held by Wanlibao (the “Pledge”) 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) (the “Lender”) pursuant to the terms of the 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. For further details please refer to the announcement of the Company dated 29 September 2021.

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)*

As at 30 June 2023, the outstanding principal amount under the Shareholders' Loan amounted to HK\$722.0 million (i.e. approximately RMB667.6 million). The Pledge given in respect of the bank loan granted to Gangke amounted to HK\$346.1 million (i.e. approximately RMB320.0 million). The aggregate amount of the Shareholders' Loan provided to and the Pledge provided in favour of Gangke by Wanlibao amounted to HK\$1,068.1 million (i.e. approximately RMB987.6 million), representing 18.96% of the consolidated total assets of the Group of HK\$5,632.3 million as at 30 June 2023.

The Company considered that the establishment of Gangke represented an excellent 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. 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 the Gangke and the Target Land Parcel.

A statement of financial position of the affiliated company as at 30 June 2023 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

	Statement of financial position	Group's attributable interest
	HK\$'000	HK\$'000
Current assets	5,353,562	2,141,425
Non-current assets	808	323
Current liabilities	2,662,855	1,065,142
Non-current liabilities	709,603	283,841
Net assets	1,981,912	792,765

MANAGEMENT DISCUSSION AND ANALYSIS

AMENDMENTS TO ARTICLES OF ASSOCIATION

The Company proposed to amend the Articles of Association for the purpose of establishing and facilitating the dual-chairmen structure of the Company by way of the adoption of the second amended and restated Articles of Association. The special resolution on the proposed amendments to the Articles of Association was passed by the Shareholders at the extraordinary general meeting of the Company held on 9 June 2023 (the “EGM”).

CHANGES IN INFORMATION OF DIRECTORS

Following the passing of the special resolution approving the amendments to the Articles of Association at the EGM held on 9 June 2023, the appointment of Mr. Yang as Chairman and the re-designation of Mr. Tse from Chairman to Co-Chairman has become effective.

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

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

	Notes	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
REVENUE	4	573,424	710,995
Cost of sales		(459,706)	(588,837)
Gross profit		113,718	122,158
Other income and gains	4	27,859	41,770
Selling and distribution expenses		(89,193)	(86,775)
Administrative expenses		(68,837)	(87,355)
Finance costs	6	(81,510)	(72,584)
Share of profits and losses of: Associates		12,579	3,697
LOSS BEFORE TAX	5	(85,384)	(79,089)
Income tax expense	7	-	(178)
LOSS FOR THE PERIOD		(85,384)	(79,267)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2023

		Six months ended 30 June	
	Note	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
<hr/>			
Attributable to:			
Owners of the parent		(82,603)	(73,781)
Non-controlling interests		(2,781)	(5,486)
		(85,384)	(79,267)
<hr/>			
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		HK(3.324) cents	HK(2.966) 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 2023



	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	(85,384)	(79,267)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Exchange difference on translation of foreign operations	(98,864)	(126,793)
Total comprehensive loss for the period	(184,248)	(206,060)
Attributable to:		
Owners of the parent	(175,273)	(194,079)
Non-controlling interests	(8,975)	(11,981)
	(184,248)	(206,060)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

Notes	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
NON-CURRENT ASSETS		
	855,359	930,294
Property, plant and equipment	680,897	680,897
Investment properties	286,529	307,823
Right-of-use assets	34,482	34,482
Goodwill	250	834
Intangible assets	1,503,234	1,475,668
Investments in associates	29,994	31,389
Deferred tax assets	137,005	143,379
Prepayments	13,914	14,561
Contract assets	73,332	113,821
Restricted cash		
Total non-current assets	3,614,996	3,733,148
CURRENT ASSETS		
Inventories	277,299	281,910
Trade receivables	232,418	228,745
Prepayments, deposits and other receivables	377,640	376,432
Contract assets	2,172	2,274
Financial assets at fair value through profit or loss	–	5,408
Amounts due from associates	950,712	964,546
Restricted cash	161,755	132,202
Cash and cash equivalents	15,267	403,863
Total current assets	2,017,263	2,395,380
CURRENT LIABILITIES		
Trade payables	119,843	142,833
Other payables and accruals	148,894	198,548
Interest-bearing bank and other borrowings	1,256,611	1,243,638
Loan from an associate	92,245	169,967
Loan from the immediate holding company	–	163,543
Loan from the ultimate holding company	109,027	–
Loan from non-controlling interests	5,820	5,999
Dividend payables	25,986	–
Tax payable	133,507	144,031
Total current liabilities	1,891,933	2,068,559
NET CURRENT ASSETS	125,330	326,821
TOTAL ASSETS LESS CURRENT LIABILITIES	3,740,326	4,059,969

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2023

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	3,740,326	4,059,969
NON-CURRENT LIABILITIES		
Medium term bonds	39,699	38,768
Interest-bearing bank and other borrowings	1,058,507	1,303,360
Loan from non-controlling interests	40,320	40,947
Loan from the immediate holding company	101,721	–
Loans from a director	55,985	–
Lease liabilities	43,669	51,043
Deferred tax liabilities	158,938	166,332
Deferred government grant	36,271	38,709
Total non-current liabilities	1,535,110	1,639,159
Net assets	2,205,216	2,420,810
EQUITY		
Equity attributable to owners of the parent		
Share capital	259,856	259,856
Reserves	1,814,999	2,021,618
Non-controlling interests	2,074,855	2,281,474
	130,361	139,336
Total equity	2,205,216	2,420,810

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2023

	Attributable to owners of the Company											
	Issued share capital	Shares held under Performance 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	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	259,656	(222,907)	1,223,027	-	(9,444)	164,652	120,571	243,982	603,682	2,563,619	146,198	2,729,817
Loss for the period	-	-	-	-	-	-	-	-	(73,781)	(73,781)	(6,486)	(79,267)
Dividends approved in respect of the previous years (Note 6)	-	-	(129,928)	-	-	-	-	-	-	(129,928)	-	(129,928)
Shares purchase under the Performance Share Award Plan	-	(5,253)	-	-	-	-	-	-	-	(5,253)	-	(5,253)
Other comprehensive income for the period: Exchange differences related to foreign operations	-	-	-	-	-	-	-	(120,298)	-	(120,298)	(6,495)	(126,793)
At 30 June 2022 (unaudited)	259,656	(228,160)	1,093,099	-	(9,444)	164,652	120,571	123,684	729,901	2,254,359	134,217	2,388,576
At 1 January 2023	259,656	(227,647)	1,093,099	3,528	(9,444)	167,690	124,138	62,914	807,340	2,281,474	139,336	2,420,810
Loss for the period	-	-	-	-	-	-	-	-	(82,603)	(82,603)	(2,781)	(85,384)
Dividends approved in respect of the previous years (Note 6)	-	-	(25,986)	-	-	-	-	-	-	(25,986)	-	(25,986)
Shares purchase under the Performance Share Award Plan	-	(5,360)	-	-	-	-	-	-	-	(5,360)	-	(5,360)
Other comprehensive income for the period: Exchange differences related to foreign operations	-	-	-	-	-	-	-	(92,670)	-	(92,670)	(6,194)	(98,864)
At 30 June 2023 (unaudited)	259,656	(233,007)*	1,067,113*	3,528*	(9,444)*	167,690*	124,138*	(29,756)*	724,737*	2,074,655	130,361	2,205,216

* These reserve accounts comprise the consolidated reserves of HK\$1,814,999,000 (31 December 2022: HK\$2,021,618,000) in the interim condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2023



	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Net cash flows used in operating activities	(101,140)	(86,628)
Net cash flows (used in)/from investing activities	(94,102)	18,780
Net cash flows (used in)/from financing activities	(175,403)	55,048
NET DECREASE IN CASH AND CASH EQUIVALENTS	(370,645)	(12,800)
Cash and cash equivalents at beginning of period	403,863	146,453
Effect of foreign exchange rate changes, net	(17,951)	(6,506)
CASH AND CASH EQUIVALENTS AT END OF PERIOD	15,267	127,147
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	15,267	127,147

NOTES TO FINANCIAL STATEMENTS

At 30 June 2023

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 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 2022.

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 2022, 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.

HKFRS 17	Insurance Contracts
Amendments to HKFRS 17	Insurance Contracts
Amendment to HKFRS 17	Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

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

- (a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has applied the amendments since 1 January 2023. The amendments did not have any impact on the Group’s interim condensed consolidated financial information but are expected to affect the accounting policy disclosures in the Group’s annual consolidated financial statements.

NOTES TO FINANCIAL STATEMENTS

At 30 June 2023



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

- (b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The Group has applied the amendments to changes in accounting policies and changes in accounting estimates that occur on or after 1 January 2023. Since the Group's policy of determining accounting estimates aligns with the amendments, the amendments did not have any impact on the financial position or performance of the Group.
- (c) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. No cumulative effect was recognised as an adjustment to the balance of retained profits or other component of equity at that date. In addition, the Group has applied the amendments prospectively to transactions other than leases that occurred on or after 1 January 2022, if any.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets as at 1 January 2022. The deferred tax asset and the deferred tax liability arising from lease contracts of the same subsidiary have been offset in the statement of financial position for presentation purposes.

The adoption of amendments to HKAS 12 did not have any impact on the basic and diluted earnings per share attributable to ordinary equity holders of the parent, other comprehensive income and the interim condensed consolidated statements of cash flows for the six months ended 30 June 2023 and 2022.

NOTES TO FINANCIAL STATEMENTS

At 30 June 2023

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

- (d) Amendments to HKAS 12 International Tax Reform – Pillar Two Model Rules introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. Entities are required to disclose the information relating to their exposure to Pillar Two income taxes in annual periods beginning on or after 1 January 2023, but are not required to disclose such information for any interim periods ending on or before 31 December 2023. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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 sales and property investments segment, engaging in property investment and development.
- (c) The hotel operations segment, engaging in hotel operation.
- (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 2023



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 2023 (Unaudited)

	Manufacture and sale of furniture HK\$'000	Development properties for sales and property investments HK\$'000	Hotel operations HK\$'000	Trading HK\$'000	Total HK\$'000
Segment revenue					
Sale to external customers	513,261	-	5,862	54,301	573,424
Reconciliation:					
Revenue from continuing operations					573,424
Segment results	23,535	(76,155)	(19,646)	1,560	(70,706)
Reconciliation:					
Reportable segment profit/(loss) before taxation	23,535	(76,155)	(19,646)	1,560	(70,706)
Unallocated expenses					(32,019)
Share of profit of associates					17,341
Loss before tax from continuing operations					(85,384)

NOTES TO FINANCIAL STATEMENTS

At 30 June 2023

3. OPERATING SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2022 (Unaudited)

	Manufacture and sale of furniture HK\$'000	Development properties for sales and property investments HK\$'000	Hotel operations HK\$'000	Trading HK\$'000	Total HK\$'000
Segment revenue					
Sale to external customers	408,166	–	16,389	286,440	710,995
Reconciliation:					
Revenue from continuing operations					710,995
Segment results	9,613	(63,665)	(7,160)	1,759	(59,453)
Reconciliation:					
Reportable segment profit/(loss) before taxation	9,613	(63,665)	(7,160)	1,759	(59,453)
Unallocated expenses					(35,580)
Share of profit of associates					15,944
Loss before tax from continuing operations					(79,089)

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

No revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the period (2022: Revenue from continuing operations of approximately HK\$154,313,000 was derived from trading 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 2023

**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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Revenue		
Sales of goods	512,200	660,333
Decoration services, installation and other ancillary services	55,362	34,273
Hotel operation income	5,862	16,389
	573,424	710,995
Other income and gains		
Bank and other interest income	24,501	32,882
Sales of scraps	184	183
Rental income	1,738	2,500
Government subsidy	840	5,593
Others	596	612
	27,859	41,770
	601,283	752,765

5. LOSS BEFORE TAX

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Cost of inventories sold	459,706	588,837
Depreciation of property, plant and equipment	30,981	33,326
Amortisation of intangible assets	547	1,539

NOTES TO FINANCIAL STATEMENTS

At 30 June 2023

6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on bank and other borrowings (including medium term bonds), loans from related parties and lease liabilities	81,510	72,584

7. INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – PRC corporate income tax	–	178
Total tax charge for the period	–	178

8. DIVIDENDS

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Final dividend in respect of the previous financial year of HK1 cent per ordinary share (2022: Final dividend in respect of the previous financial year of HK1 cent per ordinary share and a special dividend of HK4 cents per ordinary share)	25,986	129,928

The directors of the Company have resolved not to declare an interim dividend for the six months ended 30 June 2023 (six months ended 30 June 2022: Nil).

NOTES TO FINANCIAL STATEMENTS

At 30 June 2023

**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 2,484,746,575 (six months ended 30 June 2022: 2,487,885,834).

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2023 and 2022.

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

	Six months ended 30 June	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Loss		
Loss attributable to ordinary equity holders of the parents, used in the basic and diluted loss per share calculations	(82,603)	(73,781)
	Number of shares Six months ended 30 June	
	2023 (Unaudited)	2022 (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	2,484,746,575	2,487,885,834
Effect of dilution – weighted average number of ordinary shares	N/A	N/A

NOTES TO FINANCIAL STATEMENTS

At 30 June 2023

10. TRADE RECEIVABLES

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

Trade receivables of HK\$12,107,000 (2022: HK\$55,176,000) 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 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 1 month	152,414	137,090
1 to 3 months	52,132	58,224
3 to 6 months	23,020	27,729
Over 6 months	4,852	5,702
	232,418	228,745

NOTES TO FINANCIAL STATEMENTS

At 30 June 2023

**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 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Within 1 month	59,622	68,491
1 to 3 months	43,839	51,665
3 to 6 months	9,647	11,800
6 to 12 months	4,382	8,658
More than 1 year	2,353	2,219
	119,843	142,833

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:

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Carrying amount at 1 January	38,768	36,338
Accrued interest expenses	1,551	2,950
Paid	(620)	(520)
Carrying amount	39,699	38,768

NOTES TO FINANCIAL STATEMENTS

At 30 June 2023

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:

	Note	Six months ended 30 June	
		2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Science City Group and the then affiliates:			
Sales of products	(i)	102	2,989
Decoration services, installation and other ancillary services	(i)	2,073	–
Purchases of construction services		3,875	1,835
Purchases of management services		53	150
Rental expenses		216	–
Loan from the ultimate holding company		112,937	–
Loan from the immediate holding company		30,257	20,000
Loans from an associate		141,171	–
Loans from an associate of the ultimate holding company		225,874	24,092
Guarantee fees		650	4,638
Interest expenses		10,939	2,682
Other related parties:			
Sales of products		–	2,284
Rental income		–	2,510
Decoration services, installation and other ancillary services		14,216	1,260
Loan from a director		75,000	5,000
Interest income from an associate		24,196	32,827

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 2023

**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 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Trade receivables due from related parties:			
The ultimate holding company	(i)	6,943	8,571
Fellow subsidiaries	(i)	5,164	10,026
Associates	(i)	–	20,505
Morris Home Holdings Limited and the then affiliates	(i)	–	16,074
Other receivables due from related parties:			
Fellow subsidiaries	(i)	654	–

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	
	2023 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)
Short term employee benefits	5,902	6,120
Pension scheme contributions	92	170
Total compensation paid to key management personnel	5,994	6,290

NOTES TO FINANCIAL STATEMENTS

At 30 June 2023

14. COMMITMENTS

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Contracted, but not provided for:		
Acquisition of equity investments	52,453	54,892
Property, plant and equipment	10,815	11,318
Construction in progress	3,289	3,851
	66,557	70,061

15. CONTINGENT LIABILITIES

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

	30 June 2023 HK\$'000 (Unaudited)	31 December 2022 HK\$'000 (Audited)
Guarantees given to banks in connection with facilities granted to an associate	346,080	362,179

During the Period, the Group has pledged 40% (31 December 2022: 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 and the ECL allowance are not significant as at 30 June 2023 and 31 December 2022.

By Order of the Board

Yang Jun

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 31 August 2023