



2025 ANNUAL REPORT



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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Lin Ruhai (*Chairman and Chief Executive Officer*)
 Mr. Tse Kam Pang (*Co-Chairman, resigned on 4 August 2025*)

Non-executive Directors

Mr. Wu Zhongming
 Mr. Tao Ying
 Ms. Yang Ying
 Mr. Yan Weihao (appointed on 19 February 2025)
 Mr. Yao Jingming (resigned on 19 February 2025)

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 (ceased office on 5 December 2025)
 Ms. Yang Ying (appointed on 5 December 2025)

JOINT COMPANY SECRETARIES

Mr. Chui See Lai (resigned on 15 April 2025)
 Mr. Cheng Ching Kit (appointed on 15 April 2025)
 Ms. Zhong Yuhua (appointed on 25 April 2025)

AUDITOR

Grant Thornton Hong Kong Limited

LEGAL ADVISERS AS TO HONG KONG LAW

Cheng & Kwan Lawyers
 In association with Silkroad, Anchorite & Sage (Hong Kong)
 Law Firm

PRINCIPAL BANKERS

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services 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

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INVESTOR RELATIONS

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CHAIRMAN'S STATEMENT

Dear Shareholders,

I hereby present the annual results of Royale Home Holdings Limited ("Royale Home" or the "Company", together with its subsidiaries, the "Group") for the year ended 31 December 2025.

REVIEW OF 2025

In 2025, the PRC economy forged ahead against headwinds at home and overseas. Constrained by subdued growth in household income and weak consumer confidence, the recovery momentum of the consumer market was relatively moderate, and the trend of consumption downgrade continued. The ongoing adjustment in the real estate market and the sluggish new home sales has imposed certain constraints on the demand for furniture and other home furnishing categories. At the same time, the Chinese government continued to intensify pro-consumption policies such as "trade-in" policy, effectively unleashing some consumption potential and providing important support for industry development. Looking ahead, as macro policies continue to gain traction and the property market gradually stabilizes, the home furnishing consumer market is expected to witness further recovery.

During the year, the Group continued to deepen its strategy of high-quality brand development. For the fourth consecutive year, the Group was selected as one of the "Top 500 Most Valuable Brands in China". Throughout the year, a series of initiatives were carried out around multi-dimensional brand empowerment, including supporting the Greater Bay Area Women's Half Marathon, showcasing at professional exhibitions such as the International Famous Furniture Fair (Dongguan) and the Guangzhou Custom Home Furnishings Exhibition. The Group planned large-scale marketing campaigns such as the "618 Champion Livestream" and "Million Influencers Exploring Trendy Homes", so as to achieve improvement both in brand presence and sales performance. The Group collaborated with state-owned enterprises to launch promotion activities, facilitating the upgrades of living experiences in affordable housing.

Focusing on key sectors including government public services, premium corporate headquarters, commercial supporting facilities, hotels, apartments and hospitals, Yufa Engineering (裕發工裝), the engineering business brand of Royale, successfully completed a number of benchmark projects with significant industry influence and steadily advanced urban renewal, apartments, and public services projects. During the year, Yufa Engineering showcased at the 2025 Guangzhou International Home Furnishing Expo under the theme of "Smart Innovation for Aesthetics of Life" (智創生活美學), displaying innovative achievements in prefabricated decoration and smart home solutions.

The Group continued to advance operational development and channel construction in the home furnishing retail business segment. While stabilizing existing distributor channels, it reorganized and built an e-commerce business system, forming three core segments: traditional e-commerce, live-streaming e-commerce, and e-commerce operations. Actively leveraging opportunities presented by the government's "trade-in" policy, the Group comprehensively pushed forward product promotion activities, coordinating offline promotional events with online platforms such as Douyin and Xiaohongshu to support the steady development of its retail business.

In terms of overseas business, the Overseas Business Division was formally established during the year. The Group expanded into top-tier e-commerce channels and secured orders based on localized brand sales strategies overseas. Relying on its self-operated station and placing advertisements on YouTube, Facebook, and Instagram, the Group established official overseas Royale accounts in various regions to actively explore overseas markets.

Taking "asset structure optimization" and "debt restructuring" as core tasks of the year, the Group concentrated its efforts on the disposal of key assets, and has achieved milestone progress in respect of these tasks, effectively reducing finance costs and asset depreciation/amortization expenses, practically improving its financial position and optimizing its debt structure.

For the year ended 31 December 2025, the Group recorded a decline in sales of 27.5% to approximately RMB381.1 million, while the gross profit margin decreased from 6.7% in 2024 to 5.0% in 2025. The Group reported a loss attributable to owners of the parent company of RMB602.8 million, representing an increase of 80.3% compared to the same period last year.



CHAIRMAN'S STATEMENT

OUTLOOK

Looking ahead to 2026, the Chinese government is expected to continue implementing proactive and effective macroeconomic policies, advancing measures to stabilize the real estate market and promote technological innovation, so as to provide policy support for the further recovery of the home furnishing consumption market. Meanwhile, the sustained vitality of the existing inventory market, coupled with the accelerating release of demand for urban renewal and age-friendly renovations, will bring new structural opportunities for the industry. Although the Chinese economy is anticipated to continue a trend of steady progress, it will still take some time for the full restoration of consumer market confidence, and the industry as a whole will continue to face certain operational pressures.

In 2026, the Group will steadily strengthen its “Home Furnishing” segment, vigorously expand its engineering business, and focus on cultivating new growth drivers. On one hand, by deeply deploying e-commerce channels and precision marketing networks, the Group will accelerate the commercialization cycle for core new products and best-sellers, precisely empower its distributor network, and build an agile organizational team with strong competitiveness. On the other hand, it will continue to advance market-oriented transformation, deepening practical applications in smart home decoration, industrial renovation scenarios, and product R&D. The Group will also deepen cooperation with core strategic clients (including industry-leading technology enterprises and renowned real estate developers) and actively follow up on urban renewal projects in key regions.

The Group is determined to promote digital and intelligent upgrades, deeply integrate AI technology into product R&D and design, one-click 3D solution generation, and the end-to-end consumer service system, thereby building differentiated competitive barriers through technological empowerment. Furthermore, the Group will significantly intensify its expansion into overseas markets. Leveraging its established Overseas Business Division, cross-border e-commerce channels and a network of official overseas media channels, it will focus on cultivating high-potential international markets such as Europe, the United States, Southeast Asia and Central Asia. By actively securing overseas orders, the Group aims to seek a second growth curve and lay a solid foundation for its long-term development.

In response to market challenges, the Group will continue to optimize resource allocation and improve operational efficiency across all business lines. As to internal controls, we will further optimize cost structures and adjust workforce to reinforce refined management. In terms of financial planning, the Group will steadily advance the two-way optimization of its asset and debt structures, effectively reducing finance costs and improving overall liquidity and financial conditions. These measures are designed to consolidate its industry-leading position, underpinned by robust financial fundamentals.

APPRECIATION

On behalf of the Board of Directors, I would like to extend my gratitude to the management team, business partners and customers, franchisees and all employees. I would also like to express sincere appreciation to our shareholders for their support of the Group. In the coming year, the Group will bravely move forward and continue to strive for long-term and sustainable returns for all shareholders.

Lin Ruhai
Chairman

Hong Kong, 31 March 2026



MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDENDS

The Board has resolved not to declare a final dividend for the year ended 31 December 2025 (2024: Nil).

FINANCIAL REVIEW

For the year ended 31 December 2025, the Group recorded revenue of approximately RMB381.1 million (2024: RMB525.6 million), representing a decrease of approximately 27.5% from last year. The Group's overall gross profit margin decreased from approximately 6.7% in 2024 to approximately 5.0% in 2025, and the gross profit also decreased from RMB35.4 million in 2024 to RMB19.0 million in 2025. The decline in revenue and gross profit was primarily attributable to lower operating profits from furniture products as a result of a challenging macro operation environment and weakened overall market demand, as well as a significant decrease in the gross profit recognized from the home furnishing business resulting from the cyclical adjustment in the real estate sector.

Loss for the year was RMB616.7 million (2024: loss for the year of RMB348.3 million), representing an increase in loss of approximately 77.1%. Loss attributable to owners of the Company for the year was RMB602.8 million (2024: loss attributable to owners of the Company of RMB334.4 million), representing an increase in loss of approximately 80.3%. The further increase in loss for the year was primarily attributable to the combined impact of the following factors: (1) a decline in operating profits from furniture products as a result of a challenging macro operation environment and weakened overall market demand; (2) a significant decrease in the gross profit recognized from the home furnishing business resulting from the cyclical adjustment in the real estate sector; (3) an increase in inventory impairment provisions, along with goodwill impairment provisions recognized during the year; (4) revaluation losses recorded on investment properties; (5) a substantial increase in the share of losses of associates; and (6) a significant rise in finance costs. These loss-making factors were partially offset by gains from the disposal of subsidiaries and associates recognized during the year.

For the year ended 31 December 2025, selling and distribution expenses decreased by approximately 29.4% to approximately RMB70.7 million (2024: RMB100.2 million), which was mainly due to a reduction in sales and promotion expenses and the optimization of certain staff. Administrative expenses increased by approximately 5.0% to RMB135.4 million (2024: RMB128.9 million), which was mainly attributable to an increase in depreciation on idle production equipment.

Finance costs increased by approximately 24.4% to RMB213.6 million during the year (2024: RMB171.7 million), which was primarily attributable to increased interest on loans from related parties. In addition, gains of approximately RMB60.7 million (2024: nil) were recorded from the disposal of subsidiaries and associates during the year, while a loss of approximately RMB51.1 million (2024: gain of RMB2.0 million) was recognized from changes in the fair value of investment properties. Asset impairment provisions of approximately RMB66.9 million (2024: RMB31.0 million) were also recognized during the year.

Share of losses of associates for the year increased significantly from approximately RMB16.3 million for the year ended 31 December 2024 to approximately RMB144.3 million for the year ended 31 December 2025, which was mainly attributable to an increase in the share of loss of Guangzhou Gangke Real Estate Co., Ltd (廣州港科置業有限公司) ("Gangke") during the year.

An income tax expense of approximately RMB2.3 million (2024: income tax credit of RMB83.3 million) was recorded for the year ended 31 December 2025, which was mainly attributable to an increase in loss for the year and a decrease in overprovision of income tax during the year.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2025, consumers embraced a cautious attitude in spending as growth in household income and consumption remained weak, with certain adjustments in the consumption structure. Specifically, the ongoing adjustment in the real estate market and persistently weak local housing demand exerted pressure on the market demand for furniture and other home furnishing categories. Despite this, the Chinese government has introduced a series of measures to boost consumption, such as the “trade-in” policy for furniture, which to some extent has alleviated the impact of weak demand for furniture. As to the macro-economic environment, although the global economy faced sharply increasing tariff barriers and policy uncertainties in 2025, it managed to maintain moderate growth. However, subdued trade growth momentum and profound changes in the international trade environment posed external challenges to the home furnishing industry. Domestically, the government continued to focus its efforts on the core objectives of “boosting consumption, stabilizing investment, and strengthening industries”, and issued ultra-long-term special sovereign bonds dedicated to consumer goods trade-ins to stimulate domestic demand, effectively driving retail sales of furniture products. Meanwhile, the real estate market entered an era of existing inventory, unleashing demand for renovation and partial retrofitting of old homes. Intelligent features gradually shifted from optional configurations to rigid consumer demands, accelerating the industry’s transition towards competition based on whole-home customization and systemic capabilities.

During the year, the Group continued to deepen its strategy of high-quality brand development. For the fourth consecutive year, the Group was selected as one of the “Top 500 Most Valuable Brands in China”, comprehensively demonstrating its brand strength, bridging the gap with young consumers and building up a youthful, fashionable and energetic image of the Royale brand. Throughout the year, a series of initiatives were carried out around multi-dimensional brand empowerment, including supporting the Greater Bay Area Women’s Half Marathon, showcasing at professional exhibitions such as the International Famous Furniture Fair (Dongguan) and the Guangzhou Custom Home Furnishings Exhibition. The Group also established strategic partnerships with enterprises like Yuanhong IoT and Jianhong Consulting, and planned large-scale marketing campaigns such as the “618 Champion Livestream” and “Million Influencers Exploring Trendy Homes”, so as to achieve improvement both in brand presence and sales performance. The Group collaborated with state-owned enterprises to launch promotion activities, facilitating the upgrades of living experiences in affordable housing. It also accelerated its global presence by formally establishing the Overseas Business Division to embark on a new journey of global development of the brand. Furthermore, the Group enhanced its market competitiveness by building a digital marketing system, collaborating with AI design and marketing technology companies to improve operational efficiency, streamlining business teams, optimizing and integrating production plants, and implementing cost-control measures to reduce operating expenses.

Focusing on key sectors including government public services, premium corporate headquarters, commercial supporting facilities, hotels, apartments and hospitals, Yufa Engineering (裕發工裝), the engineering business brand of Royale, successfully completed a number of benchmark projects with significant industry influence and steadily advanced urban renewal, apartments, and public services projects. During the year, Yufa Engineering showcased at the 2025 Guangzhou International Home Furnishing Expo under the theme of “Smart Innovation for Aesthetics of Life” (智創生活美學), centrally displaying innovative achievements in prefabricated decoration and smart home solutions, thereby enhancing the brand reputation and recognition of Royale Yufa Engineering among industry peers.



MANAGEMENT DISCUSSION AND ANALYSIS

The Group continued to advance operational development and channel construction in the home furnishing retail business segment. While stabilizing existing distributor channels, it reorganized and built an e-commerce business system, forming three core segments: traditional e-commerce, live-streaming e-commerce, and e-commerce operations. Actively leveraging opportunities presented by the government's "trade-in" policy, the Group comprehensively pushed forward product promotion activities, coordinating offline promotional events with online platforms such as Douyin and Xiaohongshu to support the steady development of its retail business. Simultaneously, the Group continued to promote cost reduction and efficiency enhancement through reasonable shift scheduling and refined warehouse management, reducing warehouse space and lowering storage costs, while actively negotiating raw material price reductions with suppliers. At the market level, the pattern of concurrent consumption upgrading and channel transformation across the industry largely prevailed in 2025: "quality-price ratio" replaced "cost-performance ratio" as the mainstream consumption trends. The Group recorded rapid growth momentum in online channels: during the 2025 Double 11 shopping festival, the Tmall home decoration and furnishing industry registered highest growth rate for the past three years. Aligning with these trends, the Group continuously optimized its product structure, prioritized the R&D of smart home products, and accelerated the integration of AI technology into pre-sales experience and after-sales service processes to enhance overall market competitiveness.

In terms of overseas business, the Overseas Business Division was formally established during the year. The Group expanded into top-tier e-commerce channels and secured orders based on localized brand sales strategies overseas. Relying on its self-operated station and placing advertisements on YouTube, Facebook, and Instagram, the Group established official overseas Royale accounts in various regions to actively explore overseas markets.

Focusing on asset restructuring, the Group fully facilitated the monetization of its non-core assets for asset-backed debt resolution and concentrated its efforts on the disposal of key assets. During the year, it completed significant asset disposal transactions, including the sale of 18.06% equity interest in Science City (Guangzhou) Financial Leasing Co., Ltd. (科學城(廣州)融資租賃有限公司) ("SC Financial Leasing") and the entire equity interest in Guangdong Hengcheng Furniture Co., Ltd. (廣東恒誠傢俬有限公司) ("Hengcheng"). By doing so, the Group effectively reduced finance costs and asset depreciation/amortization expenses, practically improving its financial position and optimizing its debt structure.

Inventory and prepayments, deposits and other receivables

The Group's inventory decreased by approximately 17.6% to approximately RMB223.5 million as at 31 December 2025 (2024: RMB271.4 million), which was mainly due to provision for slow-moving inventories. Prepayments, deposits and other receivables (including current and non-current portion) increased by approximately 87.6% to RMB830.2 million (2024: RMB442.6 million) mainly resulting from the significant increase in the amounts receivable from the ultimate holding company in respect of the disposal of equity interests in SC Financial Leasing and Hengcheng.

Working capital

The Group had net current assets of RMB10.2 million at the end of the year (2024: net current liabilities of RMB699.2 million). The Group will continue to take initiatives to increase net inflow of working capital and dispose of part of its equity assets to effectively manage its cash flow and capital commitments.



MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity and financial resources

The Group had cash and cash equivalents amounting to RMB78.3 million as at 31 December 2025 (2024: RMB20.5 million). As at 31 December 2025, the Group's current ratio (current assets to current liabilities) increased to 1.01 (2024: 0.76) and net current liabilities turned around to net current assets of RMB10.2 million (2024: net current liabilities of RMB699.2 million). As at 31 December 2025, the interest-bearing bank and other borrowings amounted to RMB858.8 million (2024: RMB1,690.6 million), all denominated in Renminbi, while the loan from the immediate holding company, loan from the ultimate holding company, loan from fellow subsidiaries, loan from non-controlling interests and medium term bonds were in a total amount of RMB2,443.0 million (2024: loan from the immediate holding company, loan from the ultimate holding company, loan from fellow subsidiaries, loan from associates, loan from non-controlling interests and medium term bonds in a total amount of RMB1,209.1 million). Approximately 92.9% of the Group's cash and bank balances and time deposits were denominated in Renminbi, with the remaining balance denominated in Hong Kong dollars. The exposure to the foreign exchange rate fluctuation during the year was minimal as both of our operating cash inflow and outflow are predominantly in Renminbi. Currently, the Group does not maintain any hedging policy with respect to these foreign currency exposures.

Capital structure

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

Gearing ratio

The gearing ratio, defined as net debt divided by capital plus net debt, was 86% as at 31 December 2025 (2024: 72%).

Pledge of assets

As at 31 December 2025, the Group pledged (i) buildings and a right-of-use asset which had an aggregate carrying value of approximately RMB375,039,000 (2024: RMB564,464,000); (ii) time deposits amounting to RMBNil (2024: RMB5,031,000); (iii) certain machineries amounting to RMB14,055,000 (2024: RMB19,986,000); (iv) deposits in other receivables amounting to RMB28,075,000 (2024: RMB46,075,000) to secure certain bank and other borrowings granted to the Group; and (v) 40% equity interest in an associate of approximately RMB536,295,000 (2024: RMB672,858,000) to secure general banking facilities granted to the associate.

Significant investments, acquisitions and disposals

On 21 April 2025, Guangzhou Yuyuan Real Estate Development Co., Ltd.* (廣州御園地產發展有限公司) ("Yuyuan Real Estate", an indirect wholly-owned subsidiary of the Company) (as seller) and Lvshang Technology (Guangzhou) Co., Ltd.* (呂尚科技(廣州)有限公司) ("Lvshang Technology") (as purchaser) entered into an equity transfer agreement, pursuant to which Yuyuan Real Estate agreed to sell, and Lvshang Technology agreed to purchase, 25% equity interest in Dongma (Guangzhou Bonded Area) Grease Chemical Engineering Co., Ltd.* (東馬(廣州保稅區)油脂化工有限公司) (the "Dongma Equity Interest") at a consideration of RMB60.0 million.

On 22 September 2025, Royal Finance Lease Limited (皇朝融資租賃有限公司) ("Royal Finance Lease", a subsidiary of the Company) (as vendor) and Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司) ("Science City") (as purchaser) entered into an equity transfer agreement, pursuant to which Royal Finance Lease agreed to sell, and Science City agreed to purchase, 18.06% equity interest in Science City (Guangzhou) Finance and Leasing Co., Ltd.* (科學城(廣州)融資租賃有限公司) (the "SCFL Equity Interest") at a consideration of RMB416.75 million.



MANAGEMENT DISCUSSION AND ANALYSIS

On 22 September 2025, Ocean Concept Limited (“Ocean Concept”, an indirect wholly-owned subsidiary of the Company) (as vendor) and Science City (Guangzhou) Development Group Co., Ltd.* (科學城(廣州)發展集團有限公司) (“SC Development”) (as purchaser) entered into an equity transfer agreement, pursuant to which Ocean Concept agreed to sell, and SC Development agreed to purchase, the entirety of the equity interest in Guangdong Hengcheng Furniture Co., Ltd.* (廣東恒誠傢俬有限公司) (the “Hengcheng Equity Interest”) at a consideration of RMB11.34 million.

Particulars of significant investments in associates held by the Group as at 31 December 2025 are set out as follows:

| Name | Principal activities | Percentage of equity interest held | Carrying amount as at 31 December | | Percentage to the Group’s audited total assets as at 31 December 2025 |
|--|----------------------|------------------------------------|-----------------------------------|-----------------|---|
| | | | 2025 RMB’000 | 2024 RMB’000 | |
| Guangzhou Fu Yue Design Company Limited (“Fuyue Design”) | Design services | 50% | 65,460 | 67,879 | 1.46% |
| Sky Walk Limited (“Sky Walk”) | Investment | 42.42% | 107,247 | 107,264 | 2.38% |
| Gangke | Real Estate | 40% | 536,295 | 672,858 | 11.92% |

The carrying amount of Science City (Guangzhou) Financial Leasing Co., Ltd. (科學城(廣州)融資租賃有限公司) (“SC Financial Leasing”), a former associated company of the Group, as at 31 December 2024 was RMB362,271,000 (representing 7.20% of the audited total assets of the Group as at 31 December 2024). The Group entered into an equity transfer agreement on 22 September 2025 to sell the 18.06% equity interest in SC Financial Leasing to Science City. The transaction was completed during the year. For details, please refer to “Significant investments, acquisitions and disposals” under the section headed “Management Discussion and Analysis” of this annual report.

Future plans for material investments and capital assets

Apart from those disclosed in this annual report, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this annual report.

Contingent liabilities

During the year, 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.



MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECT

Looking ahead to 2026, the Chinese government is expected to continue implementing proactive and effective macroeconomic policies, so as to provide policy support for the further recovery of the home furnishing consumption market. Although the Chinese economy is anticipated to continue a trend of steady progress, it will still take some time for the full restoration of consumer market confidence, and the industry as a whole will continue to face certain operational pressures.

In 2026, the Group will steadily strengthen its “Home Furnishing” segment, vigorously expand its engineering business, and focus on cultivating new growth drivers. On one hand, by deeply deploying e-commerce channels and precision marketing networks, the Group will accelerate the commercialization cycle for core new products and best-sellers, precisely empower its distributor network, and build an agile organizational team with strong competitiveness. On the other hand, it will continue to advance market-oriented transformation, deepening practical applications in smart home decoration, industrial renovation scenarios, and product R&D. The Group will also deepen cooperation with core strategic clients (including industry-leading technology enterprises and renowned real estate developers) and actively follow up on urban renewal projects in key regions.

The Group is determined to promote digital and intelligent upgrades, deeply integrate AI technology into product R&D and design, one-click 3D solution generation, and the end-to-end consumer service system, thereby building differentiated competitive barriers through technological empowerment. Furthermore, the Group will significantly intensify its expansion into overseas markets. Leveraging its established Overseas Business Division, cross-border e-commerce channels and a network of official overseas media channels, it will focus on cultivating high-potential international markets such as Europe, the United States, Southeast Asia and Central Asia. By actively securing overseas orders, the Group aims to seek a second growth curve and lay a solid foundation for its long-term development.

In response to market challenges, the Group will continue to optimize resource allocation and improve operational efficiency across all business lines. As to internal controls, we will further optimize cost structures and adjust workforce to reinforce refined management. In terms of financial planning, the Group will steadily advance the two-way optimization of its asset and debt structures, effectively reducing finance costs and improving overall liquidity and financial conditions. These measures are designed to consolidate its industry-leading position, underpinned by robust financial fundamentals.



CORPORATE GOVERNANCE REPORT

A. CORPORATE GOVERNANCE PRACTICES

This corporate governance report (the “Corporate Governance Report”) is to outline the major principles of the Company’s corporate governance. Shareholders of the Company (“Shareholders”) are encouraged to make their views known to the Group if they have issues with the Company’s corporate governance and to directly raise any matters of concern to the chairman of the Board (the “Chairman” or the “Chairman of the Board”).

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and other stakeholders and enhance shareholder value. The principles of the Company’s corporate governance are to promote effective internal control and risk management measures, uphold a high standard of ethics, transparency, responsibility and integrity in all aspects, and to ensure that its affairs are conducted in accordance with applicable laws and regulations. The Company believes that investors will realise significant long-term value when the Group’s businesses are conducted in an open and responsible manner with strong corporate governance.

The Corporate Governance Code (the “CG Code”) is set out in Appendix C1 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The Company has applied the principles in the CG Code. For the financial year of the Company ended 31 December 2025 (the “Year”) under review, save as disclosed in this Corporate Governance Report, the Company has complied with the applicable code provisions (the “Code Provisions”) and principles under the CG Code as set out in Appendix C1 to the Listing Rules on the Stock Exchange.

The following is a summary of the work performed by the Board in corporate governance function during the Year:

- (a) develop and review the Company’s policies and practices on corporate governance;
- (b) review and monitor the training and continuous professional development of the Directors and senior management of the Company;
- (c) review and monitor the Company’s policies and practices on compliance with legal and regulatory requirements;
- (d) review and monitor the code of conduct applicable to employees and the Directors; and
- (e) review the Company’s compliance with the CG Code and disclosure in the Corporate Governance Report.

B. DIRECTORS’ SECURITIES TRANSACTIONS

In accordance with the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix C3 to the Listing Rules, the Company has adopted codes of conduct relating to securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. Having made specific enquiry with the Directors, it is confirmed that all Directors had complied with the required standard set out in the Model Code and the codes of conduct regarding the Directors’ securities transactions during the Year.



CORPORATE GOVERNANCE REPORT

C. THE BOARD

Roles and responsibilities

The Board is responsible for leadership and control of the Company and being collectively responsible for promoting the success of the Company by directing and supervising the Company's affairs. Directors should make decisions objectively in the interests of the Company.

While day-to-day management, administration and operation of the Company are delegated to the Executive Directors, Chief Executive Officer and senior management, the Independent Non-executive Directors are responsible for:

- (a) participating in board meetings of the Company to bring an independent judgement to bear on issues of strategy, policy, performance, accountability, resources, key appointments and standards of conduct;
- (b) taking the lead where potential conflicts of interest arise;
- (c) serving on the audit, remuneration and other governance committees, if invited; and
- (d) scrutinising the Company's performance in achieving agreed corporate goals and objectives, and monitoring performance reporting.

The Board provides leadership, approves major policies, reviews and monitors the business performance of the Group, approves major funding and investment proposals, as well as the financial statements of the Group. Day-to-day management, administration and operation of the Company are delegated to the Executive Directors, Chief Executive Officer and senior management.

Board composition

The directors of the Company (the "Directors") during the Year were:

Executive directors (the "Executive Directors"):

Mr. Lin Ruhai (*Chairman and Chief Executive Officer*)

Mr. Tse Kam Pang (*Co-Chairman, resigned on 4 August 2025*)

Non-executive directors (the "Non-executive Directors"):

Mr. Wu Zhongming

Mr. Tao Ying

Ms. Yang Ying

Mr. Yan Weihao (*appointed on 19 February 2025*)

Mr. Yao Jingming (*resigned on 19 February 2025*)

Independent non-executive directors (the "Independent Non-executive Directors"):

Mr. Lau Chi Kit

Mr. Yue Man Yiu Matthew

Mr. Chan Wing Tak Kevin

As at 31 December 2025, the Board consisted of a total of eight members, including one Executive Director, four Non-executive Directors and three Independent Non-executive Directors. The name and biographical details of each Director and other senior management are set out on pages 28 to 31 of this annual report.



CORPORATE GOVERNANCE REPORT

Relationship among Directors

During the Year and up to the date of this report, to the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship among members of the Board.

Chairman and Chief Executive Officer

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 established.

During the year ended 31 December 2025, Mr. Lin Ruhai concurrently served as the Chairman and CEO, responsible for the corporate strategic planning and overall business development of the Group. 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.

The Chairman of the Board is responsible for leading the Board, and facilitating the business of the Board and the effectiveness of individual Directors, both during and outside Board meetings. The Chairman plays a key role in the development of the Group's strategy and in ensuring management succession. The Chairman is also required to ensure that the principles of good corporate governance and processes of Board meetings are maintained.

The Chief Executive Officer is responsible for leading the executive management of the Group. The Board sets limits to the authorities exercisable by the Chief Executive Officer and the Chief Executive Officer remains accountable to the Board within the limits of delegated authorities. The Chief Executive Officer commits to taking overall responsibilities for the supervision and the conduct of the Company's business and its normal operation, in accordance with the policies, strategies and objectives established by the Group. The Board is responsible for monitoring the performance of the Chief Executive Officer and to ensure that the Board's objectives have been attained.



CORPORATE GOVERNANCE REPORT

Board meeting and procedure

The Company convenes at least four regular Board meetings a year and the Directors shall meet more frequently as and when required. At least 14 days' notice of all regular Board meetings is given to all Directors, and all Directors are given the opportunity to include matters for discussion in the agenda. For all other board meetings, reasonable notice should be given.

During the Year, apart from the ad hoc meetings to obtain consents from all the Board members, the attendance record of each Director at the Board and committee meetings held during the Year is set out in the table below:

| | General meetings | Board meetings | Audit Committee meetings | Remuneration Committee meetings | Nomination Committee meetings |
|---|------------------|----------------|--------------------------|---------------------------------|-------------------------------|
| <i>Executive Directors</i> | | | | | |
| Mr. Lin Ruhai | 2/2 | 8/8 | N/A | N/A | N/A |
| Mr. Tse Kam Pang (resigned on 4 August 2025) | 1/2 | 8/8 | N/A | N/A | N/A |
| <i>Non-executive Directors</i> | | | | | |
| Mr. Wu Zhongming | 2/2 | 8/8 | N/A | N/A | N/A |
| Mr. Tao Ying | 2/2 | 8/8 | N/A | N/A | N/A |
| Ms. Yang Ying | 2/2 | 8/8 | N/A | N/A | N/A |
| Mr. Yan Weihao (appointed on 19 February 2025) | 2/2 | 8/8 | N/A | N/A | N/A |
| Mr. Yao Jingming (resigned on 19 February 2025) | 0/2 | 0/8 | N/A | N/A | N/A |
| <i>Independent Non-executive Directors</i> | | | | | |
| Mr. Lau Chi Kit | 2/2 | 8/8 | 4/4 | 1/1 | 1/1 |
| Mr. Yue Man Yiu Matthew | 2/2 | 8/8 | 4/4 | 1/1 | 1/1 |
| Mr. Chan Wing Tak Kevin | 1/2 | 8/8 | 4/4 | 1/1 | 1/1 |

All the Directors have access to relevant and timely information. They also have access to the advice and services of the company secretary of the Company (the "Company Secretary"), who is responsible for providing the Directors with Board papers and related materials. Where queries are raised by the Directors, prompt and full responses will be given if possible.

Should a potential conflict of interest involving a substantial Shareholder of the Company or a Director arise, the matter will be discussed in a Board meeting, as opposed to being dealt with by a written resolution. Independent Non-executive Directors with no conflict of interest will be present at meetings dealing with such conflict issues.

Independent Non-executive Directors are identified in all corporate communications containing the names of the Directors. An updated list of the Directors identifying the Independent Non-executive Directors and the roles and functions of the Directors is maintained on the website of the Company and the website of the Stock Exchange.

During the Year, the Chairman held one meeting with the Independent Non-executive Directors without any other Directors present.



CORPORATE GOVERNANCE REPORT

Term of appointment of Non-executive Directors

Mr. Lau Chi Kit and Mr. Yue Man Yiu Matthew, the Independent Non-executive Directors, have been re-appointed for a fixed term of three years on 14 June 2024. Mr. Chan Wing Tak Kevin, the Independent Non-executive Director, has been re-appointed for a fixed term of three years on 9 June 2023. The Company still considers the Independent Non-executive Directors to be independent taking into account the independence requirements pursuant to Rule 3.13 of the Listing Rules.

Ms. Yang Ying, the Non-executive Director, has been re-appointed for a fixed term of three years on 14 June 2024. Mr. Wu Zhongming and Mr. Tao Ying, the Non-executive Directors, have been re-appointed for a fixed term of three years on 9 June 2023. Mr. Yan Weihao, the Non-executive Director, has been appointed for a fixed term of three years on 29 February 2025.

Code provision B.2.2 of the CG Code provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. In accordance with article 87 of the Company's articles of association, every Director is subject to retirement by rotation at least once every three years.

Skills, knowledge, experience and attributes of Directors

All Directors served in office during the Year. Every Director commits to giving sufficient time and attention to the affairs of the Company. The Directors also demonstrate their understanding and commit to high standards of corporate governance. The Executive Directors bring their perspectives to the Board through their deep understanding of the Group's business. The Non-executive Directors and the Independent Non-executive Directors contribute their skills and experience, understanding of local and global economies, and knowledge of capital markets to the Group's business.

Division of responsibilities between the Board and management

While the Board is responsible for directing and approving the Group's overall strategies, the Group also has formed management teams in its business areas, comprising the Executive Directors and senior officers of the Group, with authority and responsibility for developing and exercising both operational and non-operational duties. The management team members of the Group have a wide range of skills, knowledge and experience necessary to govern the Group's operations. All management team members are required to report directly to the Board on a regular basis to report business performance and operational and functional issues of the Group. This will allow the Group's management to allocate resources more efficiently for its decision-making and facilitate its daily operations.

The Board and the Group's management fully appreciate their respective roles and are committed to good corporate governance. The Board is responsible for overseeing the processes by which the management identifies business opportunities and risks. The Board's role is not to manage the day-to-day business operations of the Group and the responsibility of which remains vested in the management.

The Board has set up formal procedures for the Board's decisions. Matters which the Board considers suitable for delegation to its committees are contained in the specific terms of reference of its committees. The terms of reference clearly define the powers and responsibilities of the Board committees. In addition, the Board will receive reports and/or recommendations from time to time from the Board committees on any matter significant to the Group.



CORPORATE GOVERNANCE REPORT

Induction and training

Each newly appointed Director, executive, non-executive or independent non-executive, is required to undertake an induction program to ensure that he has proper understanding of his duties and responsibilities. The induction program includes an overview of the Group's business operation and governance policies, the Board meetings' procedures, matters reserved to the Board, an introduction of the Board committees, the Directors' responsibilities and duties, relevant regulatory requirements, and briefings with senior officers of the Group and site visits (if necessary).

Pursuant to Code Provision C.1.4 of the CG Code, all Directors must participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure their contribution to the Board remains informed and relevant. During the Year, all Directors participated in appropriate continuous professional development activities by ways of attending training and/or reading materials relevant to the Company's business or to the Directors' duties and responsibilities.

Participation in continuous professional development program during the Year are summarised as follows:

| | Reading regulatory updates and guidance materials on directors' duties | Reading materials relating to business and industry | Attending professional briefings/seminars/conferences relevant to directors' duties, regulatory updates and business |
|---|--|---|--|
| <i>Executive Directors</i> | | | |
| Mr. Lin Ruhai | ✓ | ✓ | ✓ |
| Mr. Tse Kam Pang (resigned on 4 August 2025) | ✓ | ✓ | ✓ |
| <i>Non-executive Directors</i> | | | |
| Mr. Wu Zhongming | ✓ | ✓ | ✓ |
| Mr. Tao Ying | ✓ | ✓ | ✓ |
| Ms. Yang Ying | ✓ | ✓ | ✓ |
| Mr. Yao Jingming (resigned on 19 February 2025) | ✓ | ✓ | ✓ |
| Mr. Yan Weihao (appointed on 19 February 2025) | ✓ | ✓ | ✓ |
| <i>Independent Non-executive Directors</i> | | | |
| Mr. Lau Chi Kit | ✓ | ✓ | ✓ |
| Mr. Yue Man Yiu Matthew | ✓ | ✓ | ✓ |
| Mr. Chan Wing Tak Kevin | ✓ | ✓ | ✓ |



CORPORATE GOVERNANCE REPORT

Directors' and officers' liability insurance and indemnity

The Company has arranged appropriate liability insurance to indemnify its Directors and officers in respect of legal actions against the Directors and/or officers. Throughout the Year, no claim was made against the Directors and the officers of the Company.

Independent advice

The Board and its committees may seek advice from independent professional advisors whenever it considers appropriate. Each Director, with the consent of the Chairman of the Board and/or the chairman of the audit committee, may seek independent professional advice on matters connected with the Company to discharge his/her responsibilities, at the Group's expense. No Director exercised his/her right for independent professional advice during the Year.

Independence of Independent Non-executive Directors

Three Independent Non-executive Directors, namely Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin were considered to be independent in accordance with the guidelines set out in Rule 3.13 of the Listing Rules.

Also, the three Independent Non-executive Directors, representing over one-third of the Board, constituted a proper balance of power maintaining full and effective control of both the Group and its executive management.

Board independence

The Group has established mechanisms to ensure independent views and input are available to the Board and such mechanisms will be reviewed annually by the Board:

- At least one-third of the Board are Independent Non-executive Directors in compliance with the Listing Rules requirements, and the Company will assess the independence of the Independent Non-executive Directors on at least an annual basis.
- The Nomination Committee will assess the independence of a candidate who is nominated to be a new Independent Non-executive Director before appointment and the continued independence of the current long-serving Independent Non-executive Directors on an annual basis. All Independent Non-executive Directors are required to submit a written confirmation to the Company annually to confirm the independence of each of them and their immediate family members, and their compliance with the requirements as set out in the Rule 3.13 of the Listing Rules.
- All Directors and committees of the Board are entitled to retain independent professional advisors as and when required.
- All Directors are encouraged to express their views in an open and candid manner during the Board/Board committee meetings.
- The Chairman of the Board will meet with the Independent Non-executive Directors at least annually without the presence of the Executive Directors.
- A Director (including the Independent Non-executive Directors) who has material interest in any contract, transaction or arrangement shall abstain from voting and not be counted in the quorum on any Board resolution approving the same.
- No equity-based remuneration with performance-related elements will generally be granted to Independent Non-executive Directors.



CORPORATE GOVERNANCE REPORT

Company secretary

All Directors have access to the advice and services of the Company Secretary to ensure that the Board meeting procedures and all applicable laws are followed. Moreover, the Company Secretary is responsible for facilitating communications among Directors as well as with management.

During the Year, former Company Secretary Mr. Chui See Lai (resigned on 15 April 2025), and the current joint Company Secretaries Mr. Cheng Ching Kit (appointed on 15 April 2025) and Ms. Zhong Yuhua (appointed on 25 April 2025) have confirmed that they have taken no less than 15 hours of relevant professional training.

Mr. Cheng Ching Kit is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, and his primary contact person at the Company is Ms. Zhong Yuhua.

D. BOARD COMMITTEES

As an integral part of good corporate governance, the Board has established the following Board committees to oversee particular aspects of the Company's affairs. All committees are provided with sufficient resources to discharge their duties.

Audit Committee

As at 31 December 2025, the audit committee of the Board (the "Audit Committee") consisted of three Independent Non-executive Directors, namely Mr. Yue Man Yiu Matthew, who is the chairman of the Audit Committee, Mr. Lau Chi Kit and Mr. Chan Wing Tak Kevin. The members of the Audit Committee meet regularly, normally twice a year, with the senior financial management and meet with external auditor for final result reviews.

The Audit Committee is provided with sufficient resources to perform its duties. Latest terms of reference of the Audit Committee can be viewed on the website of the Company and the website of the Stock Exchange. The main duties of the Audit Committee include the following:

1. to monitor the integrity of the annual and interim reports as well as to review significant financial reporting judgments before submission to the Board and to report to the Board;
2. to review the relationship with the external auditor; and
3. to review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

There were four meetings of the Audit Committee held in 2025. Details of the members' attendance record in the Year are set out on page 14 of this annual report. During the Year, the Audit Committee performed the following work (in summary):

- (a) The Audit Committee assisted the Board in assuring the integrity of the Company's financial statements, including reviewing the financial results of the Group for the year ended 31 December 2024 and the interim results for the six months ended 30 June 2025. It evaluated and made recommendations to the Board about the appropriateness of accounting policies and practices, areas of judgment, compliance with Hong Kong Financial Reporting Standards and other legal requirements, and the results of external audit. It reviewed interim and annual financial statements of the Company, reported its work and findings to the Board and made recommendations on specific actions or decisions for the Board to consider after each Audit Committee's meeting. Minutes of the Audit Committee's meetings were made available to all Directors for inspection.



CORPORATE GOVERNANCE REPORT

- (b) The Audit Committee also managed the relationship with the external auditor on behalf of the Board. It made recommendation to the Board on the appointment of the external auditor and the relevant terms of engagement, including remuneration. The Audit Committee was required to review the integrity, independence and objectivity of the external auditor. Also, it examined the external auditor's independence including its engagement of non-audit services. Based on the review of the Audit Committee, the Board was satisfied that the external auditor was independent. During the year ended 31 December 2025, there was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the external auditor.
- (c) The Audit Committee was required to ensure that the system of internal control of the Group was in place for identifying and managing risks. The Audit Committee had reviewed the effectiveness of internal controls for the Year. Such review covered financial, operational and compliance controls and risk assessment of the Group. The Board was satisfied that the effectiveness of the internal controls of the Group had been properly reviewed by the Audit Committee.

Remuneration Committee

The Company has set up a Remuneration Committee in accordance with the relevant requirements of the CG Code. The Remuneration Committee is chaired by Mr. Lau Chi Kit, and comprises two other members, namely Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin. All the members of the Remuneration Committee are Independent Non-executive Directors. The principal responsibilities of the Remuneration Committee include formulating a remuneration policy that guides the employment of senior personnel, recommending to the Board the remuneration of members of the Board who are Independent Non-executive Directors, determining the remuneration packages of the members of the Board who are executive Directors and reviewing and approving performance-based remuneration by reference to the Company's goals, objectives and market practices, reviewing and/or approving matters relating to share schemes of the Company (whether or not under Chapter 17 of the Listing Rules) and ensuring that no Director is involved in deciding his/her own remuneration.

There was one meeting of the Remuneration Committee held in 2025. Details of the members attendance record in the Year are set out on page 14 of this annual report. Details of the remuneration of each Director for 2025 is set out in the Note 9 to this annual report.

According to the written terms of reference of the Remuneration Committee, the Remuneration Committee has adopted the model to make recommendations to the Board on the remuneration packages of individual Executive Director(s) and senior management including benefits in kind, pension rights and compensation payment comprising any compensation payable for loss or termination of their office or appointment. It also makes recommendations to the Board on the remuneration of Non-executive Directors. Its principal role is to assist the Board to oversee the policy and structure of the remuneration of the Executive Director(s) of the Company and senior management of the Group.

The Remuneration Committee is provided with sufficient resources to perform its duties. The current duties and responsibilities of the Remuneration Committee are more specifically set out in its latest terms of reference, details of which can be viewed on the website of the Company and the website of the Stock Exchange.

The following is a summary of work performed by the Remuneration Committee during the Year:

- (a) formulating and recommending the policy and structure of the remuneration of the Directors and senior management of the Group to the Board;
- (b) assessing individual performance of the Directors and senior management of the Group;



CORPORATE GOVERNANCE REPORT

- (c) reviewing specific remuneration packages of the Directors and senior management of the Group with reference to the Board's corporate goals and objectives as well as individual performances and terms of service contracts for Directors; and
- (d) reviewing and making recommendations to the Board on compensation-related issues.

The Remuneration Committee is tasked within its term of reference to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. The remuneration policy and package of the Group's employees are periodically reviewed by the Remuneration Committee. The Remuneration Committee has reviewed the remuneration policy and package of the Group, including an assessment of individual performance, attractiveness of the rewards offered by the Company, talent retention and incentivization, the financial condition and performance of the Group. No share awards were recommended to be awarded by the Remuneration Committee during the year ended 31 December 2025.

Principles of remuneration policy

The principles of the Group's remuneration policy:

1. were applied to all Directors and senior management of the Group for the Year and, so far as practicable, shall be applied to them for subsequent years;
2. were sufficiently flexible taking into account future changes in the Company's business environment and remuneration practice;
3. allowed remuneration arrangement to be designed to support the business strategy of the Group and to align with the interests of the Group's Shareholders; and
4. aimed at setting appropriate reward levels to reflect the competitiveness in the market in which comparable companies and the Group had been operating during the Year so as to retain individuals with outstanding performance.

Remuneration structure

Under the above remuneration policy, the remuneration package of each Executive Director and senior management of the Group during the Year was structured to include:

- (a) an appropriate rate of base compensation for the job of each Executive Director and senior management of the Group;
- (b) competitive benefit programs; and
- (c) sets of performance measures and targets for performance-related annual and long-term incentive plans based on the appropriate independent advice and/or an assessment of the interests of Shareholders of the Company and taking into account an appropriate balance of risk and reward for the Directors and other participants.

The work and findings together with recommendations of the Remuneration Committee were presented to the Board after the Remuneration Committee's meetings. Minutes of the Remuneration Committee's meeting were made available to all the Directors for inspection. No Director or any of his/her associates was involved in deciding his/her own remuneration.



CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee of the Board was established on 29 March 2012 and comprises one Non-executive Director and two Independent Non-executive Directors. The Nomination Committee is chaired by Mr. Lau Chi Kit, and comprises two other members, namely Mr. Yue Man Yiu Matthew and Ms. Yang Ying (who was appointed on 5 December 2025). Mr. Chan Wing Tak Kevin ceased to be a member of the Nomination Committee on 5 December 2025. Members of the Nomination Committee meet formally at least once a year.

According to the written terms of reference of the Nomination Committee, the major responsibilities of the Nomination Committee include:

- (a) to review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (b) to identify individuals suitably qualified to become members of the Board and select or make recommendations to the Board on the selection of individuals nominated for directorships;
- (c) to assess the independence of the Independent Non-executive Directors; and
- (d) to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman of the Board and the Chief Executive Officer.

Details of the terms of reference of the Nomination Committee can be viewed on the website of the Company and the website of the Stock Exchange.

There was one meeting of Nomination Committee meeting held in 2025. Details of the members attendance record in the Year are set out on page 14 of this annual report. The following is a summary of the work performed by the Nomination Committee during the Year:

- (a) reviewing and evaluating the composition of the Board with reference to certain criteria. These criteria included qualifications required under the Listing Rules or any other relevant laws regarding characteristics and skills of the Directors, professional ethics and integrity, appropriate professional knowledge and industry experience, as well as ability to devote sufficient time to the work of the Board and its committees and to participate in all Board meetings and Shareholders' meetings;
- (b) reviewing and recommending the re-appointment of the retiring Directors for re-election; and
- (c) assessing independence of the Independent Non-executive Directors.



CORPORATE GOVERNANCE REPORT

Nomination procedures and criteria

The Board has adopted a nomination policy (the “Nomination Policy”) which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. When assessing the suitability of a candidate, factors such as experience, qualifications, skills, integrity and board diversity will be taken into consideration as a whole. In the case of independent non-executive directors, they must further satisfy the independence criteria set out in Rule 3.13 of the Listing Rules. The Nomination Committee will first identify potential candidates, including recommendations from the Board members and the Shareholders of the Company. In the determination of the suitability of a candidate, the Nomination Committee will consider a range of factors, including but not limited to the following selection criteria: (a) the Company’s board diversity policy and the requirements under the Listing Rules; (b) the independence of the Independent Non-executive Directors with reference to the independence criteria set out in Rule 3.13 of the Listing Rules; (c) potential or actual conflicts of interest of the candidate or the re-elected director; (d) the skills, experience and qualifications of the candidate; (e) the candidate’s integrity; (f) the candidate’s ability to commit and devote sufficient time and attention to the Company’s affairs; and (g) other relevant factors which will be considered by the Nomination Committee on a case-by-case basis. After reviewing and evaluating the background and information of the potential candidates based on the selection criteria, the Nomination Committee will make recommendations to the Board on the selected candidates.

Board diversity policy

The Company has adopted the Board diversity policy (“Policy”) in accordance with the requirements set out in code provisions of the CG Code. The Company recognises and embraces the benefits of having a diverse Board, and sees diversity at Board level is essential in achieving a sustainable and balanced development. The Company aims to build and maintain a Board with a diversity of Directors, in terms of skills, experience, gender, knowledge, expertise, culture, independence and age. All Board appointments will be based on merit while candidates will be considered against objective criteria with due regard towards the benefits of diversity on the Board. The Nomination Committee will review the Policy, as appropriate, to ensure the effectiveness of the Policy.

The Board had not set any measurable objective for implementing the diversity policy during the Year. As at 31 December 2025, there were 7 male Directors and 1 female Director on the Board and the male to female ratio in the workforce (including senior management) of the Group was approximately 3:2. The Board considered that the composition of the Board and the workforce were sufficiently diversified in the context of a corporation mainly engaged in the manufacturing of furniture business. The Board has not set any numerical targets, plans and timelines for achieving gender diversity on its Board and in the workforce.

The Board is mindful of the objectives for the factors as set out in the diversity policy for assessing the candidacy of the Board members and will ensure that any successors to the Board shall follow the diversity policy. Similar considerations will also be in place to assess the candidacy of the senior management team from time to time. The Group is determined to maintain gender diversity and equality in terms of the whole workforce, and to procure the senior management team to achieve gender equality in terms of the gender ratio. The Nomination Committee will discuss periodically and when necessary, agree on further measurable objectives and plans for achieving diversity, including gender diversity, on the Board and recommend them to the Board for adoption.



CORPORATE GOVERNANCE REPORT

E. ACCOUNTABILITY AND AUDIT

Directors' responsibility for the accounts

The Directors acknowledge their responsibility for the preparation of the accounts of the Group and ensure that the accounts are in accordance with statutory requirements and applicable accounting standards. The accounts are prepared on a going concern basis, the members of the Board have selected appropriate accounting policies and apart from those new and amended accounting policies disclosed in the notes to the accounts during the year ended 31 December 2025, have applied them consistently with previous financial periods. The statement of our auditor about their responsibility on the accounts is included in the Independent Auditor's Report. For the annual reports and accounts, the Company's finance department is responsible for clearing them with the external auditor and then the Audit Committee. In addition, all new accounting standards and requirements adopted by the Group have been discussed and approved by the Audit Committee.

The Group incurred a net loss of approximately RMB617 million for the year ended 31 December 2025 and, as of that date, the Group had current borrowings of approximately RMB710 million while its cash and cash equivalents amounted to approximately RMB78 million. In the opinion of the Directors, the Group is able to continue as a going concern in the next twelve months by taking into consideration that:

- (i) The Group's bank and other loans of RMB631 million are guaranteed by Science City. Science City has agreed to continue to act as the Group's guarantor for the next twelve months on all the 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 31 December 2025, the Group also had unpledged investment properties with carrying amount of approximately RMB550 million which are available for use as security to obtain new bank and other loans. Subsequent to the year end date, the Group has successfully renewed or obtained new bank and other loans in the amount of RMB280 million;
- (ii) The Group will continue to seek suitable opportunities to dispose of certain equity interest in both associates and subsidiaries and other assets to raise the level of liquid funds; and
- (iii) The Group will continue to implement measures to improve its 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 expenses.

Save as disclosed above, the Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any other material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 49 to 54 of this annual report.

External auditor's remuneration

The Group's independent external auditor is Grant Thornton Hong Kong Limited. Except for the resignation of Ernst & Young on 8 November 2024 and its subsequent replacement by Grant Thornton Hong Kong Limited, the Company has had no other change of external auditor over the past three years. Prior to the commencement of the audit of the Group's 2025 financial statements for the year ended 31 December 2025, the Audit Committee received written confirmation from the external auditor of its independence and objectivity. The external auditor refrained from engaging in non-assurance services except for limited tax-related services or specifically approved items. The Audit Committee reviewed the external auditor's statutory audit scope and non-audit services and approved its fees. During the year ended 31 December 2025, the remuneration paid or payable to the external auditor for audit services and non-audit services amounted to RMB2,200,000 (2024: RMB2,200,000) and RMB1,460,000 (2024: RMB360,000), respectively. Non-audit services include agreed-upon procedure on the Company's interim financial statements amounting to RMB360,000 (2024: RMB360,000) and very substantial disposal and connected transactions services amounting to RMB1,100,000 (2024: Nil).



CORPORATE GOVERNANCE REPORT

F. RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The internal audit department, which is independent of the Company's daily operations and accounting functions, is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls. The Audit Committee or the internal audit department conducts a review of the effectiveness of the Group's internal control system at least annually.

The internal control framework also provides for identification and management of risk.

With respect to internal control for the handling and dissemination of inside information, the Company shall assess the circumstances under which inside information may arise from time to time and disclose inside information as soon as reasonably practicable in accordance with the SFO and the Listing Rules. The Company conducts its business affairs with close regard to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission and imposes a strict prohibition on the unauthorised use of confidential or inside information by Directors, employees and other relevant persons (such as external service providers and project working team members).

The internal audit department also formulates the internal audit plan and procedures, conducts periodic independent reviews on the operations of individual divisions to identify any irregularities and risks, develops action plans and recommendations to address the identified risks, and reports to the management on any key findings and progress of the internal audit process.

The Company has established a comprehensive risk management system, which specifies the roles and responsibilities of the management and the Board in risk management work. On the basis of the system, continuous monitoring has taken place in relation to the risk management and internal control systems. Based on the risk management conducted in previous years, the management of the Company continues to identify and evaluate the risks of the Group. The management has analysed the changes to core risks by paying attention to market and industry changes and communicating with the chief executive and relevant senior management. In addition, the control of core risks is also under continuous monitoring through risk management reports, which are consolidated from self-inspection and evaluation regarding respective core risks.

The Board, through the internal audit department and the Audit Committee, has conducted a review of the effectiveness of the Group's risk management and internal control system for the year ended 31 December 2025 covering all material financial, operational and compliance controls and risk management functions, and is satisfied that such systems are effective and adequate.

Reference is made to the sub-section headed "Significant investments, acquisitions and disposals" under the section headed "Management Discussion and Analysis". The Company should have complied with the relevant reporting and announcement requirements under Chapter 14 of the Listing Rules in respect of the Disposal, which constituted a discloseable transaction, as and when such obligations arose. The Company has reviewed the event and the Group's internal control system. Such non-compliance was due to the fact that the Company was undergoing a change of company secretary and relevant handover arrangements, there was a delay in the issue of announcement. The non-compliance was inadvertent and not intentional. The Company has taken remedial actions and measures to prevent similar non-compliance from occurring in the future, including arranging its legal advisers to advise the management team on the compliance requirements, re-circulating and enhancing the internal communication policy and reporting procedure within the Group, enhancing monitoring and supervision over transactions at the subsidiaries/business units level, providing additional training on regulatory compliance and ensuring access to professional support in a timely manner.



CORPORATE GOVERNANCE REPORT

G. COMMUNICATION WITH SHAREHOLDERS

The Company has adopted a shareholders' communication policy. Under the policy, the Company should maintain various channels, including general meetings and the Company's website, to effectively communicate with Shareholders.

The AGM is one of the principal channels of communication with its Shareholders. It provides an opportunity for Shareholders to question Directors about the Company's performance. The detailed procedures for conducting a poll will be explained at each general meeting. Registered shareholders are notified by post of the AGM. Any registered shareholder is entitled to attend and vote at the AGM, provided that his/her/its shares have been fully paid up and recorded in the register of the members of the Company.

The Group endeavours to disclose relevant information on its activities to its Shareholders in an open and timely manner, subject to applicable legal requirements. Communication between the Company and its Shareholders is achieved through:

- (a) the Company's annual and interim reports which have been enhanced to present a balanced, clear and comprehensive assessment of the Group's position and prospects;
- (b) forum and notices of AGMs and other general meetings and accompanying explanatory materials;
- (c) press releases on major development of the Group;
- (d) disclosures to the Stock Exchange and relevant regulatory bodies;
- (e) response to inquiries from Shareholders or media; and
- (f) the website of the Company through which the public can access, among other things, corporate announcements, press releases, annual reports, and general corporate information of the Group.

The communication channels between the Company and its Shareholders above will be reviewed by the Board on a regular basis to ensure their effectiveness in maintaining an on-going dialogue with Shareholders. In the Year, the Company also communicated with investors through news release. The Board has reviewed the implementation and effectiveness of the Company's Shareholders' communication policy including steps taken at the general meetings the handling of queries received (if any) and the multiple channels of communication and engagement in place, and considered the Company's Shareholders' communication policy has been properly implemented during the Year and is effective.

Constructive use of AGMs

The Board and the management are committed to the constructive use of the AGM as a forum to meet with Shareholders and to hear their views and answer their questions about the Group and its business.

The Chairman and a majority of the other Directors along with key executives and the external auditor attended the 2025 AGM and addressed concerns raised by a number of Shareholders about the resolutions being proposed and the Company's business. The Directors in attendance included those who were chairing the Audit Committee, the Nomination Committee and the Remuneration Committee on the date of the meeting.



CORPORATE GOVERNANCE REPORT

Shareholders' rights

Set out below is a summary of certain rights of the Shareholders of the Company.

(a) Convening of extraordinary general meeting on requisition by Shareholders

Any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

(b) Procedures for putting forward proposals at a Shareholders' meeting

There are no provisions allowing Shareholders to move new resolutions at the general meetings under the Companies Law of the Cayman Islands (as amended from time to time) or the articles of association of the Company. However, Shareholders who wish to move a resolution may request the Company to convene an extraordinary general meeting following the procedures set out above.

Detailed procedures for Shareholders to propose a person for election as a Director are available on the Company's website.

(c) Enquiries to the Board

Shareholders may put forward enquiries to the Board in writing to the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the enquiries.

H. DIVIDEND POLICY

The Board may declare dividends in the future after taking into account the Group's operations, earnings, financial condition, cash requirements and availability, the Company's capacity to pay from accumulated and future earnings, future commitments at the time of declaration of dividend and other factors as it may deem relevant at such time. Any declaration and payment as well as the amount of dividends will be subject to the Company's constitutional documents and the Companies Law of the Cayman Islands, including the approval of the Shareholders. Future declarations of dividends may or may not be reflected from the Company's historical declarations of dividends and will be at the absolute discretion of the Board.



CORPORATE GOVERNANCE REPORT

I. INVESTOR RELATIONS

The Company regards the communication with institutional investors as an important means to enhance the transparency of the Company and to collect views and feedback from institutional investors. The Group keeps Shareholders informed of its performance, operations and significant business developments by adopting a transparent and timely corporate disclosure policy which complies with the Listing Rules and provides all Shareholders equal access to such information. The Company promotes fair disclosure of information to all investors and care is taken to ensure that analyst briefings and other disclosures made by the Company comply with the Listing Rules' prohibition against selective disclosure of price sensitive information. Shareholders have specific rights to convene extraordinary general meetings under the Company's articles and association. Shareholders, investors and interested parties can make enquiries to the Company through the following means:

By e-mail: info@royale.com.hk

Telephone number: (852) 2636 6648 or (86) 3299 6689

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

Attention: Securities Affairs Department

J. CONSTITUTIONAL DOCUMENTS

There had been no change in the memorandum of association and the articles of association of the Company during the Year.



MANAGEMENT PROFILE

DIRECTORS

Executive Director

Mr. LIN Ruhai (“Mr. Lin”), aged 43, graduated from Zhejiang Normal University with a major in business administration in 2018. He acted as the chairman of the board of directors of Guangzhou Science City Venture Capital Co., Ltd.* (廣州科學城創業投資管理有限公司), which is a subsidiary of Science City, from May 2018 to February 2026. He was also the general manager of the same company from 2018 to 2024. From 2016 to 2018, he was the deputy general manager of the financial department of Guangzhou Hi-tech Investment Group Co., Ltd.* (廣州高新區投資集團有限公司) and the general manager of Guangzhou Guoju Venture Capital Co., Ltd.* (廣州國聚風險投資有限公司). He worked with China Construction Bank (Guangzhou Development Zone Sub-branch) as a client manager from 2006 to 2016. Mr. Lin has over a decade of experience in corporate management and equity investment. He holds the qualification of a licensed fund practitioner in the PRC. Mr. Lin was appointed as an Executive Director of the Company and Chief Executive Officer on 1 December 2023. He has been appointed as a director of various subsidiaries of the Company in China and Hong Kong. Mr. Lin holds positions within the Science City Group, which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Non-executive Directors

Mr. WU Zhongming (“Mr. Wu”), aged 44, obtained a bachelor’s degree in history from the Department of History of the Sun Yat-sen University in 2005, a PhD in ancient Chinese history from the Sun Yat-sen University in 2010. Mr. Wu has been appointed as a Non-executive Director of the Company since 29 August 2019. He has been an assistant to the general manager of Science City Group since August 2020. He has also served as a member of the Party Committee of Science City Group since January 2021. He has been appointed as a director of various subsidiaries of the Company in Hong Kong. Mr. Wu holds positions within the Science City Group, which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. TAO Ying (“Mr. Tao”), aged 55, obtained a bachelor’s degree in engineering (major in power application in the department of electrical engineering) from Fuzhou University in 1994 and completed the on-job postgraduate course majoring in labor economics (research directed at human resources management) at the School of Labor and Human Resources of Renmin University of China in April 2003. He worked at Science City (Guangzhou) Information Technology Group Co., Ltd.* (科學城(廣州)資訊科技集團有限公司) (formerly known as Guangzhou Development District Information Engineering Co., Ltd.* (廣州開發區資訊工程有限公司)) from April 2019 to December 2022, and held positions successively as a director and a general manager. From October 2013 to April 2019, Mr. Tao worked at Guangzhou Dongjin New District Development Co., Ltd.* (廣州東進新區開發有限公司) as a deputy general manager. From April 2003 to October 2013, he took senior positions in the organisation and personnel, propaganda and administration divisions of Guangzhou Development Zone Construction and Development Group Co., Ltd.* (廣州開發區建設發展集團有限公司). Mr. Tao has been appointed as a Non-executive Director of the Company since 18 January 2023. Mr. Tao holds positions within the Science City Group, which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

* For identification purposes only



MANAGEMENT PROFILE

Ms. YANG Ying (“Ms. Yang”), aged 44, graduated from Zhongnan University of Economics and Law with a bachelor’s degree in law in 2003 and awarded a master’s degree in law (major in civil and commercial law) by Sun Yat-sen University in 2011. She worked with Science City as a deputy general manager of the legal and risk management (compliance management) department from 2021 to 2023 and a senior manager of the asset operations management department from 2018 to 2021, respectively. She was a legal manager of SYNSUN Health Enterprises Co., Ltd.* (聖原健康產業有限公司) from 2017 to 2018. From 2006 to 2017, she held the position of legal director (intellectual property management) at Guangdong Revenco Enterprises Co., Ltd.* (廣東立信企業有限公司). She was a legal assistant at Heungkong Group Co., Ltd.* (香江集團有限公司) from 2004 to 2006. She has over 20 years of experience in practicing company law. She holds the Legal Professional Qualification awarded by the Ministry of Justice of the PRC. Ms. Yang was appointed as a Non-executive Director of the Company on 1 December 2023. She has been appointed as a director of Tianjin Royal Furniture Company Limited* (天津皇朝傢俬有限公司), a subsidiary of the Company in China. Ms. Yang holds positions within the Science City Group, which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Mr. YAN Weihao (“Mr. Yan”), aged 31, obtained a bachelor’s degree in economics (major in international economy and trade) from Jinan University in the People’s Republic of China in 2017 and a master of science degree (major in international trade, strategy and operations) from the University of Warwick in the United Kingdom in 2018. He is currently a deputy general manager of the asset operations management department of Science City. From 2023 to 2024, he served at Science City (Guangzhou) Information Technology Group Co., Ltd.* (科學城(廣州)資訊科技集團有限公司) successively as director and deputy general manager. He has served at SC Financial Leasing from 2018 to 2023 successively as a management trainee, finance manager, deputy manager of marketing department, manager of financial market department and deputy marketing director. Mr. Yan has been appointed as a Non-executive Director of the Company since 19 February 2025. Mr. Yan holds positions within the Science City Group, which has an interest in the shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

* For identification purposes only



MANAGEMENT PROFILE

Independent Non-executive Directors

Mr. LAU Chi Kit (“Mr. Lau”), aged 81, retired from The Hongkong and Shanghai Banking Corporation Limited (“HSBC”) in December 2000 after more than 35 years of service. Among the major positions in HSBC, he was the deputy general manager and head of Personal Banking Hong Kong and deputy general manager and head of Strategic Implementation, Asia-Pacific Region. He is a fellow of the Hong Kong Institute of Bankers (the “Institute”). He was the chairman of the Institute’s Executive Committee (from January 1999 to December 2000) and is currently the honorary advisor of the Institute’s Executive Committee. He served as a member on a number of committees appointed by the Government of the Hong Kong Special Administration Region, including the Advisory Council on the Environment (from October 1998 to December 2001), the Advisory Committee on Human Resources Development in the Financial Services Sector (from June 2000 to May 2001), the Corruption Prevention Advisory Committee of the Independent Commission Against Corruption (from January 2000 to December 2003), the Environment and Conservation Fund Committee (from August 2000 to October 2006), the Innovation and Technology Fund (Environment) Projects Vetting Committee (from January 2000 to December 2004) and the Law Reform Commission’s Privacy Sub-committee (from February 1990 to March 2006). He also served as chairman of the Business Environment Council Limited (from September 1998 to December 2001). Currently, he is an independent non-executive director of Leoch International Technology Limited (stock code: 842) and Hin Sang Group (International) Holding Company Limited (stock code: 6893). Mr. Lau has resigned as an executive director of Chinlink International Holdings Limited (stock code: 997) with effect from 19 May 2023, a listed public company in Hong Kong. Mr. Lau has been appointed as an Independent Non-executive Director of the Company since 6 September 2011.

Mr. YUE Man Yiu Matthew (“Mr. Yue”), aged 64, has been the chief financial officer of Ko Shi Wai Holdings Limited since September 2009. He has been a director of China-Link Capital Management Limited since September 2009, and he served as the chief financial officer from October 2018 to September 2025. He acted as an independent non-executive director of a Hong Kong listed company, namely, Classified Group (Holdings) Limited (stock code: 8232), from October 2018 to September 2025. He graduated from the Chinese University of Hong Kong with a bachelor’s degree in business administration in 1984. He is a fellow of the Association of Chartered Certified Accountants, a fellow of the Hong Kong Institute of Certified Public Accountants and a member of the Hong Kong Securities Institute. He has extensive experience in financial control, project analysis and management functions and has the related financial expertise. Mr. Yue has been appointed as an Independent Non-executive Director of the Company since 17 November 2011.

Mr. CHAN Wing Tak Kevin (“Mr. Chan”), aged 60, graduated from London School of Economics and Political Science, University of London in 1991 with a major in economics. He has over 20 years of experience in investment research. He is a Fellow of CPA Australia. During 2008 to 2013, he was the Head of China and Hong Kong Financial Research at CLSA Limited. From 2013 to 2017, he was a member of Main Board and GEM Listing Committees of The Stock Exchange of Hong Kong Limited. From 2013 to 2014, he also served as a Senior Advisor (Banking) in KPMG. Since September 2016 he was an Executive Vice President of Chinese Banking Association of Hong Kong. From 2013 to 2018, he was a member of the Chinese People’s Political Consultative Conference, Guanxi Committee. Since March 2019, he is a member of Shenzhen Futian Committee. From 1 February 2020 to 31 January 2022, he is a member of the Investigation Panel A of the HKICPA. From June 2020, he is a member of the Working Group on e-CNY of the Financial Services Development Council. He is appointed as a member of the Finance subsector of the Sixth Election Committee of the Hong Kong Special Administrative Region (the “HKSAR”) for a term from 22 October 2021 to 21 October 2026. From January 2023, Mr. Chan is a member of Guangdong Province Committee of the Chinese People’s Political Consultative Conference of the PRC. He is appointed as a member of the HKSAR Chief Executive’s Policy Unit Expert Group for a term from 30 May 2023 to 29 May 2024 and re-appointed for a term of one year from 30 May 2024 to 29 May 2025. From 2023 he is a member of the HKSAR Kowloon City District Fight Crime Committee. He has been appointed as a member to the Independent Police Complaints Council for a term of two years from 1 June 2024 to 31 May 2026. From 5 July 2024, he has been appointed as a member of the Main Board and GEM Listing Review Committee of The Stock Exchange of Hong Kong Limited. Mr. Chan has been appointed as an independent non-executive director of China Communications Construction Company Limited (stock code: 1800) with effect from 25 February 2022, and an independent non-executive director of Travelsky Technology Limited (stock code: 696) with effect from 1 September 2022, all being listed public companies in Hong Kong. Mr. Chan has been appointed as an Independent Non-executive Director of the Company since 5 November 2019.



MANAGEMENT PROFILE

SENIOR MANAGEMENT

Ms. ZHONG Yuhua (“Ms. Zhong”), aged 36, was appointed as a joint Company Secretary of the Company on 25 April 2025. Ms. Zhong obtained her Bachelor of Laws degree from South China Normal University (華南師範大學) in 2011, and holds a qualification certificate for board secretary granted by the Shenzhen Stock Exchange. She joined the Group since April 2024, and has over 14 years of experience in legal and compliance, corporate governance and investor relations. Before joining the Group, she has held various positions within the Science City Group, including serving as the Manager of the Risk Management Department, where she was responsible for the compliance, risk management, internal control and information disclosure matters.

Save as disclosed above and in this report, as at 31 December 2025, each of the Directors and senior management members mentioned above did not have any relationship with any other directors, senior management, substantial Shareholders or controlling Shareholders (as defined in the Listing Rules) of the Company.

JOINT COMPANY SECRETARIES

Ms. Zhong is a joint Company Secretary of the Company. Please refer to the section headed “Senior Management” for her biographical details.

Mr. Cheng Ching Kit (“Mr. Cheng”) was appointed as a joint Company Secretary of the Company on 15 April 2025. Mr. Cheng is an assistant vice president of SWCS Corporate Services Group (Hong Kong) Limited, a professional services provider specialising in corporate services, and has over 13 years of experience in the corporate secretarial field. He is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. In addition, he holds a Bachelor of Commerce degree in finance from the University of Queensland, Australia and a Master of Laws degree in Chinese law from the University of Hong Kong.



REPORT OF THE DIRECTORS

The Directors present their report and the audited financial statements of the Group for the year ended 31 December 2025 to the shareholders of the Company.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. Details of the principal activities of the subsidiaries are set out in note 1 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

BUSINESS REVIEW

Business review comprising a fair review of the Group's business, description of the Group's principal risks and uncertainties, important events subsequent to the year end, the Group's likely future business developments and the Group's analysis using financial key performance indicators as regards profitability, revenue and gearing ratio changes, have been set out in the section headed "Management Discussion and Analysis" of this annual report. Discussions and information therein form part of this Report of the Directors.

RESULTS AND DIVIDENDS

The Group's loss for the year ended 31 December 2025 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 55 to 147.

The Board does not recommend the payment of any dividend (2024: Nil) for the financial year.

SUMMARY FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out on page 148. This summary does not form part of the audited financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 14 to the financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the year are set out in note 33 to the financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.



REPORT OF THE DIRECTORS

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

On 24 May 2019, the Company and Science City (Hong Kong) Investment Co. Limited (“SCHK”) entered into the Subscription Agreement (“Subscription”) pursuant to which the Company has conditionally agreed to issue, and the SCHK has conditionally agreed to subscribe for, in cash, 433,093,554 new shares of the Company (“Share(s)”) at a price of HK\$1.02 per Share under specific mandate. The closing price quoted on the Stock Exchange on 24 May 2019 was HK\$0.96 per Share. The aggregate nominal value of the subscription shares was approximately HK\$43,309,355.4. On 2 August 2019, the Company completed the allotment and issuance of 433,093,554 new ordinary Shares. The net proceeds from the Subscription received by the Company were approximately HK\$440.2 million, equivalent to a net subscription price of approximately HK\$1.02 per Share.

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

| Proposed use of proceeds | Original allocation of the net proceeds as disclosed in the Circular | Revised use of proceeds as disclosed in 2020 Annual Report | Unutilised net proceeds as at 1 January 2025 | Net proceeds utilised during the year ended 31 December 2025 | Amount utilised up to 31 December 2025 | Unutilised proceeds as at 31 December 2025 | Expected timeline |
|---|--|--|--|--|--|--|-------------------------------|
| | (HK\$ million) | (HK\$ million) | (HK\$ million) | (HK\$ million) | (HK\$ million) | (HK\$ million) | |
| 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 | 0.9 | - | 129.1 | 0.9 | by 31 December 2026 (Note) |
| Imported machinery for new production facilities | 80.0 | 80.0 | 40.4 | - | 39.6 | 40.4 | by 31 December 2026 (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 | 41.3 | - | 398.9 | 41.3 | |

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 2026.



REPORT OF THE DIRECTORS

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities (including sale of treasury shares) during the Year.

As at 31 December 2025, the Company did not hold any treasury shares.

RESERVES

Details of movements in the reserves of the Company and the Group during the Year are set out in note 42 and note 34 to the financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2025, the Company's reserves available for distribution, calculated in accordance with the provision of the Companies Law of the Cayman Islands, amounted to RMB845,299,000.

CHARITABLE CONTRIBUTIONS

During the Year, the Group made charitable contributions of RMBNil (2024: RMBNil).

MAJOR CUSTOMERS AND SUPPLIERS

In the Year, sales to the Group's five largest customers accounted for approximately 34.50% of the total sales for the year and sales to the largest customer included therein amounted to 18.26%. Purchases from the Group's five largest suppliers accounted for approximately 21.68% of the total purchase for the Year and purchase from the Group's largest supplier included therein amounted to 15.38%.

Save for members of the Science City Group being one of the five largest customers, none of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers.

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

The Group is committed to supporting the environmental sustainability. Being a furniture manufacturer in the PRC, the Group is subject to various environmental laws and regulations set by the PRC national, provincial and municipal governments. These include regulations on air and noise pollution and discharge of waste and water into the environment. Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations. During the Year, the Group has complied with relevant laws and regulations that have significant impact on the operations of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. Please refer to the Environmental, Social and Governance Report for the year ended 31 December 2025 which will be published at the same time as the publication of this report.



REPORT OF THE DIRECTORS

EQUITY-LINKED AGREEMENTS

Save the share option scheme of the Company as disclosed herein, no equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2025 or subsisted at the end of the year.

RELATIONSHIP WITH STAKEHOLDERS

The Group recognises that employees, customers and business partners are keys to its sustainable development. The Group is committed to establishing a close and caring relationship with its employees, providing quality services to its customers and enhancing cooperation with its business partners.

The Company provides a fair and safe workplace, promotes diversity to our staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate training and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy needs and requirements of the customers. The Group has established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to developing good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business. We reinforce business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner so as to ensure quality and timely delivery.

POSSIBLE RISKS AND UNCERTAINTIES FACING THE COMPANY

The Group's financial conditions, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following are the key risks and uncertainties identified by the Group. There may be other risks and uncertainties which are not known to the Group or which may not be material now but could turn out to be material in the future.

Business risk

The business of the Group is highly dependent on the performance of the PRC furniture market. Furniture market downturn in China could adversely affect the Group's business, results of operations and financial position.

Financial risk

The financial risk management of the Group are set out in note 41 to the financial statements.



REPORT OF THE DIRECTORS

DIRECTORS

The Directors of the Company during the year and as at the date of the annual report were:

Executive Directors:

Mr. Lin Ruhai (*Chairman and Chief Executive Officer*)

Mr. Tse Kam Pang¹ (*Co-Chairman, resigned on 4 August 2025*)

Non-executive Directors:

Mr. Wu Zhongming

Mr. Tao Ying

Ms. Yang Ying

Mr. Yan Weihao (appointed on 19 February 2025)

Mr. Yao Jingming² (resigned on 19 February 2025)

Independent Non-executive Directors:

Mr. Lau Chi Kit

Mr. Yue Man Yiu Matthew

Mr. Chan Wing Tak Kevin

Notes:

1. Mr. Tse Kam Pang resigned as an Executive Director due to health reason.
2. Mr. Yao Jingming resigned as a Non-executive Director due to his other business commitments.

In accordance with article 87 of the Company's articles of association, one-third of the Directors will retire by rotation and, being eligible, will offer themselves for re-election at the forthcoming annual general meeting (the "AGM").

Details of the Directors to be retired and offered for re-election at the AGM are contained in the circular to be despatched to the shareholders of the Company.

The Company considers the Independent Non-executive Directors, namely, Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin, to be independent as at the date of this report taking into account the independence requirements pursuant to Rule 3.13 of the Listing Rules.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the directors and the senior management of the Group are set out on pages 28 to 31 of the annual report.

DIRECTORS' SERVICE CONTRACTS

The Directors do not have subsisting service agreements with the Company that are not determinable by the employer within one year without payment of compensation (other than statutory compensation). Save as disclosed in note 9 to the financial statements, there were no other emoluments, pension or any compensation arrangements for the Directors and past Directors as are specified in section 78 of Schedule 11 to the Hong Kong Companies Ordinance (Cap. 622).

None of the Directors proposed for re-election at the forthcoming annual general meeting of the Company has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than statutory obligations.



REPORT OF THE DIRECTORS

DIRECTORS' REMUNERATION

The Directors' fees are subject to Shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to Directors' duties, responsibilities and performance and the results of the Group, with reference to the recommendation of the remuneration committee of the Board. Details of the remuneration of the Directors are set out in note 9 to the financial statements.

PERMITTED INDEMNITY PROVISION

A permitted indemnity provision (as defined in the Hong Kong Companies Ordinance, Chapter 622 of the Laws of Hong Kong) for the benefit of the Directors of the Company is currently in force throughout the Year.

The Company has taken out and maintained Directors' liability insurance throughout the financial year ended 31 December 2025, which provides appropriate cover for the Directors. During the year ended 31 December 2025, no claims were made against the Directors.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" below and note 39 to the financial statements headed "Related party transactions" of this annual report, no transactions, arrangements and contracts of significance in relation to the Group's business to which the Company or any of its subsidiaries was a party and in which any Director of the Company or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2025.

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

As at 31 December 2025, the interests and short positions of the Directors and chief executive in the shares and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the 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, were as follows:

Long positions in shares and underlying shares of the Company

| Name of Director | Note | Number of Shares and underlying Shares held, capacity and nature of interest | | | Total | Percentage of the Company's issued share capital (Note a) |
|-------------------------|------|---|---|---|-----------|---|
| | | Directly beneficially owned | Through controlled corporation/ family interests | Through jointly held by other persons | | |
| Mr. Yue Man Yiu Matthew | | 3,000,000 | – | – | 3,000,000 | 0.12 |



REPORT OF THE DIRECTORS

Note:

(a) The percentage is calculated on the basis of 2,598,561,326 Shares in issue as at 31 December 2025.

No Directors has any non-beneficial personal equity interests in subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 31 December 2025, none of the Directors or chief executive had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTEREST IN COMPETING BUSINESS

None of the Directors, the controlling Shareholders of the Company or any of their respective associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest with the Group.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

OTHER MATTERS RELATING TO THE BOARD

In relation to financial reporting, all Directors acknowledge their responsibilities for preparing the accounts of the Group. The Group has appropriate insurance in place to cover the liabilities of the Directors and senior executives of the Group.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 31 December 2025, the following persons (other than Directors and chief executive) who were interested in 5% or more of the issued share capital of the Company were recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO:



REPORT OF THE DIRECTORS

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 | (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 |
| Mr. Tse Kam Pang (“Mr. Tse”) | (b), (c), (d) | 282,948,047 | 427,580,269 | 1,234,862,964 | 1,945,391,280 | 74.86 |

Notes:

- (a) SCHK is wholly owned by Science City, a company established in the PRC with limited liability on 21 August 1984. As such, Science City was deemed to be interested in 1,945,391,280 Shares under Part XV of the SFO. The ultimate beneficial owner of Science City is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會).
- (b) Crisana is wholly owned by Mr. Tse.
- (c) Charming Future is wholly owned by Mr. Tse.
- (d) Leading Star is wholly owned by Mr. Tse.
- (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 31 December 2025.

Save as disclosed above, as at 31 December 2025, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed “Directors’ and Chief Executive’s interests and short positions in shares, underlying shares and debentures” above, had any interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors of the Company, the Company has maintained a sufficient public float as required under the Listing Rules during the Year and as at the date of this annual report.



REPORT OF THE DIRECTORS

PERFORMANCE SHARE AWARD PLAN

The Company adopted a performance share award plan (the “Performance Share Award Plan”) on 14 May 2021 (the “Adoption Date”). The Performance Share Award Plan is a share scheme under Chapter 17 of the Listing Rules following the amendments to Chapter 17 of the Listing Rules pursuant to the Consultation Conclusions on Proposed Amendments to Listing Rules relating to Share Schemes of Listed Issuers and Housekeeping Rule Amendment published by the Stock Exchange in July 2022.

The principal terms of the Performance Share Award Plan are summarised as below:

Purpose of the Performance Share Award Plan

The purpose of the Performance Share Award Plan is to recognise and reward the contribution of selected persons (the “Selected Persons”), which are any full-time employee of the Group, including directors, executive, officers or senior management of the Group but excluding Directors or the chief executive officer of the Company, as determined by the Administration Committee, towards the growth and development of the Group through an award of Shares.

Administration

The Performance Share Award Plan shall be subject to the administration of the Administration Committee (the “Administration Committee”) in accordance with the rules of the Performance Share Award Plan and the trust deed (the “Trust Deed”) as appointed by the Company. The Administration Committee is delegated with the power and authority by the Board to administer the Performance Share Award Plan and comprises senior management of the Group. The trustee appointed by the Board to manage the Performance Share Award Plan (the “Trustee”) shall hold the trust fund in accordance with the terms of the Trust Deed.

Participants

The Administration Committee may, in its absolute discretion, make an award to Selected Persons, and the Selected Persons for awards shall be individual employee(s) excluding Directors and the chief executive officer of the Company.

Award of Shares

The Administration Committee shall, subject to and in accordance with the provisions of the Performance Share Award Plan, be entitled (but shall not be bound) to, at any time during the continuation of the Performance Share Award Plan, make an award to any of the Selected Persons of such number of issued Shares, fully paid or credited as fully paid, as the Administration Committee shall determine pursuant to the Performance Share Award Plan.

Plan limit and maximum entitlement of each participant

The total number of Shares under the Performance Share Award Plan will not exceed 5% of the total issued Shares (excluding treasury shares) on the Adoption Date (i.e. 129,928,066 Shares, representing approximately 5% of the total issued Shares (excluding treasury shares) as at the date of this report). The accumulated number of Shares which may be awarded to a Selected Person under the Performance Share Award Plan shall not exceed 1% of the number of issued Shares from time to time.

Duration of the Performance Share Award Plan

Subject to any early termination pursuant to the terms of the Performance Share Award Plan, the Performance Share Award Plan will remain valid and effective for a period of 5 years commencing from the Adoption Date.



REPORT OF THE DIRECTORS

Vesting of Award Shares

The Trustee shall transfer to and vest in any Selected Person(s) the legal and beneficial ownership of the awarded Shares within 10 business days after the latest of: (a) the earliest date on which the Trustee may vest the legal and beneficial ownership of the awarded Shares with the relevant Selected Person as specified in the award notice; (b) the date on which the condition(s) or performance target(s) (if any) to be attained by such Selected Person as specified in the related award notice have been attained and notified to the Trustee by the Administration Committee in writing; and (c) where applicable, the date on which the Trustee has completed the purchase of Shares and/or subscription of new Shares to be issued and allotted by the Company for the purpose of making the relevant award.

Lapse of Awards

In the event that the condition(s) or performance target(s) are not attained by any relevant Selected Person before the deadline as specified in the relevant award notice or upon any illegality, breaches of laws and regulations, termination of employment or such other situation as the Board or Remuneration Committee may deem appropriate, an award made to such Selected Person shall forthwith lapse and be cancelled.

Exercise period or rights

As the Performance Share Award Plan is a share award plan of the Company instead of a share option scheme, the awards granted under the Performance Share Award Plan are not subject to any exercise period nor are the Selected Participants entitled to any exercise rights.

Share purchase pursuant to the Performance Share Award Plan

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 awarded Shares. As at the date of this annual report, the Trustee has purchased and holds a total of 120,690,000 Shares (31 December 2024: 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 2024: 4.64%) of the total number of Shares in issue (excluding treasury shares) as at the date of this annual report.

During the Year, no Shares (2024: nil) were purchased, no share awards (2024: nil) were granted and no share awards (2024: nil) were vested, cancelled or lapsed under the Performance Share Award Plan. There were no outstanding share awards as at 1 January 2025 and as at 31 December 2025. The Board will constantly review and determine at its absolute discretion such number of awarded Shares to be awarded to the Selected Persons under the Performance Share Award Plan with such vesting conditions as the Board may deem appropriate.

The number of share awards available for grant under the plan limit of 129,928,066 Shares as at both 1 January 2025 and 31 December 2025 were 129,928,066 (31 December 2024: 129,928,066), representing 5% of the Shares in issue (excluding treasury shares).

Acceptance price

No price is payable by the Selected Persons upon acceptance of awarded Shares granted under the Performance Share Award Plan.



REPORT OF THE DIRECTORS

Purchase price to be paid by the relevant Selected Person for the awarded Shares

The subscription price (if any) to be paid by the relevant Selected Person for the relevant awarded Shares shall be determined by the Administration Committee with reference to the applicable rules and regulations, the market price of the Shares and the remuneration level of the relevant Selected Person.

Details of the Performance Share Award Plan were set out in the announcement of the Company dated 14 May 2021.

The Company had no other share schemes (as defined in Chapter 17 of the Listing Rules) other than the Performance Share Award Plan.

Review by Remuneration Committee

The remuneration committee of the Board is tasked within its term of reference to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules. The remuneration policy and package of the Group's employees are periodically reviewed by the remuneration committee. The remuneration committee has reviewed the remuneration policy and package of the Group, including an assessment of individual performance, attractiveness of the rewards offered by the Company, talent retention and incentivization, the financial condition and performance of the Group. No share awards and share options were recommended to be awarded by the remuneration committee during the year ended 31 December 2025.

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2025 was 748 (2024: 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 award may also be granted to eligible employees and persons of the Group under the Performance Share Award Plan adopted by the Company on 14 May 2021. At 31 December 2025, no Shares have been awarded to any Selected Persons pursuant to the Performance Share Award Plan.

Details of the remuneration of the Directors are set out in note 9 to the financial statements. The emoluments paid to the senior management (excluding the Directors) during the year ended 31 December 2025 were within the following bands:

| Bands | Number of Senior Management |
|--------------------------------|--|
| Nil to HK\$1,000,000 | 4 |
| HK\$1,000,001 to HK\$1,500,000 | 1 |
| HK\$1,500,001 to HK\$2,000,000 | – |
| HK\$2,000,001 to HK\$2,500,000 | – |
| Total | 5 |



REPORT OF THE DIRECTORS

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULES 13.20 AND 13.22 AND DETAILS OF LOANS OF GRANT DISCLOSURE PURSUANT TO RULE 13.16 OF THE LISTING RULES

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 31 December 2025.

| 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 ⁽¹⁾ | 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 ⁽²⁾ | 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 ⁽³⁾ | 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 Gangke held by Wanlibao to secure the repayment of bank loan by Gangke | N/A | N/A | N/A | N/A | RMB196.8 million |
| 4. Gangke ⁽⁴⁾ | 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 | RMB8.7 million |
| Total | RMB1,095 million | | | | | | RMB205.5 million |

* For identification purposes only



REPORT OF THE DIRECTORS

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 for 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.
- (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.

* For identification purposes only



REPORT OF THE DIRECTORS

A statement of financial position of the affiliated company as at 31 December 2025 required to be disclosed under Rule 13.22 of the Listing Rules is set out below:

| | Statement of financial position |
|-------------------------|--|
| | RMB'000 |
| Current assets | 4,566,373 |
| Non-current assets | 1 |
| Current liabilities | 214,376 |
| Non-current liabilities | 2,786,267 |
| Net assets | 1,565,731 |

The attributable interest of the Group in this affiliated company as at 31 December 2025 are set out in note 19 to the consolidated financial statements.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected Transactions

SCFL Equity Transfer Agreement and Hengcheng Equity Transfer Agreement

On 22 September 2025 (after trading hours), Royal Finance Lease (a wholly-owned subsidiary of the Company) (as vendor), Science City (as purchaser) and SCFL entered into the SCFL Equity Transfer Agreement, pursuant to which Royal Finance Lease has conditionally agreed to sell, and Science City has conditionally agreed to purchase, 18.06% of the equity interest in SCFL at the SCFL Consideration of RMB416,752,500 ("SCFL Disposal"). As at the Latest Practicable Date, SCFL is an associated company of the Company and is principally engaged in finance leasing, in which the Group holds 18.06% equity interest. For further details please refer to the announcements of the Company dated 22 September 2025 and 29 December 2025 and the circular of the Company dated 11 November 2025.

On 22 September 2025 (after trading hours), Ocean Concept (a wholly-owned subsidiary of the Company) (as vendor), SC Development (as purchaser), Hengcheng and the Company entered into the Hengcheng Equity Transfer Agreement, pursuant to which Ocean Concept has conditionally agreed to sell, and SC Development has conditionally agreed to purchase, the entirety of the equity interest in Hengcheng at the Hengcheng Consideration of RMB11,338,566.62 ("Hengcheng Disposal"). As a condition precedent to the Hengcheng Completion, Hengcheng will undergo the Hengcheng Reorganisation, which is a process whereby the Hengcheng Excluded Assets and Liabilities (i.e. assets and liabilities relating to the manufacturing and sale of furniture operations of Hengcheng) would be transferred out of Hengcheng to the Remaining Group, such that the remaining assets and liabilities within Hengcheng would be the Hengcheng Target Assets and Liabilities (i.e. the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities), being the subject matter of the Hengcheng Disposal. It is estimated that the Hengcheng Reorganisation will give rise to the Net Reorganisation Obligations on the part of Hengcheng to pay the Remaining Group, which shall be settled in full by Hengcheng (funded by capital contribution(s) or shareholder's loan(s) to be made by SC Development to Hengcheng) within five (5) working days after the completion of the Transition Period Audit. As at 30 June 2025, the net liabilities value (i.e. the Net Reorganisation Obligations) representing a net amount after netting off the assets and liabilities amongst the Hengcheng Excluded Assets and Liabilities was approximately RMB122.14 million.

The SCFL Disposal and the Hengcheng Disposal are inter-conditional upon each other and the Completions shall take place simultaneously. The Company will not proceed with any of the SCFL Disposal or the Hengcheng Disposal unless the Completions take place simultaneously. The Disposals have all along been negotiated and agreed between the parties on the basis of a combined proposal, for the primary purposes of, amongst others, improving the Group's net debt position and reduce interest expenses. Taking into account (1) the time and scope associated with the pre-approval process of the Science City Group; (2) costs incurred or to be incurred; and (3) the SCFL Disposal and the Hengcheng Disposal are closely connected transactions with common purposes and are part and partial of a single proposal; the parties agreed that the SCFL Disposal and the Hengcheng Disposal shall be inter-conditional upon each other. For further details please refer to the announcements of the Company dated 22 September 2025 and 29 December 2025 and the circular of the Company dated 11 November 2025.



REPORT OF THE DIRECTORS

Continuing Connected Transactions

Master Product Sales Agreement

On 15 June 2023, the Company entered into a master product sales agreement (“Master Product Sales Agreement”) with Science City, pursuant to which members of the Group will sell furniture and related products (together with ancillary services) to members of the Science City Group on a non-exclusive basis, subject to the entering into of individual contracts as agreed between members of the Group and the Science City Group. The Master Product Sales Agreement shall be effective for a term commencing from 15 June 2023 and ending on 31 December 2025 (both days inclusive).

As Science City Group is a controlling Shareholder of the Company, it is a connected person of the Company. Accordingly, the Master Product Sales Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For further details please refer to the announcement of the Company dated 15 June 2023.

The annual cap for the transactions under the Master Product Sales Agreement for the year ended 31 December 2025 was RMB74,000,000. For the year ended 31 December 2025, the actual transaction amount was RMB5,162,000.

Master Decoration Services Agreement

On 15 June 2023, the Company entered into a master decoration services agreement (“Master Decoration Services Agreement”) with Science City, pursuant to which members of the Group will provide decoration services including undertaking interior design, decoration, refurbishment, installation and fittings works as contractor in property development projects of the Science City Group to members of the Science City Group on a non-exclusive basis, subject to the entering into of individual contracts as agreed between respective members of the Group and the Science City Group. The Master Decoration Services Agreement shall be effective for a term commencing from 15 June 2023 and ending on 31 December 2025 (both days inclusive).

As Science City Group is a controlling Shareholder of the Company, it is a connected person of the Company. Accordingly, the Master Decoration Services Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules. For further details please refer to the announcement of the Company dated 15 June 2023.

The annual cap for the transactions under the Master Decoration Services Agreement for the year ended 31 December 2025 was RMB74,000,000. For the year ended 31 December 2025, the actual transaction amount was RMB4,639,000.

The aforesaid Master Product Sales Agreement and Master Decoration Services Agreement both expired on 31 December 2025. The Company did not enter into any new continuing connected transaction framework agreement with Science City Group in respect of 2026 and any subsequent period.

The Independent Non-executive Directors have reviewed and confirmed that the continuing connected transactions undertaken by the Group during the year were entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms; and (iii) in accordance with the relevant agreements governing the transactions on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Grant Thornton Hong Kong Limited (“Grant Thornton”), the Company’s auditors, were engaged to report on the Group’s continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Grant Thornton have issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions which are subject to annual review in accordance with Rule 14A.56 of the Listing Rules.



REPORT OF THE DIRECTORS

During the year, related party transactions are disclosed in note 39 to the consolidated financial statements. Save as disclosed above in respect of which the disclosure requirements under Chapter 14A of the Listing Rules have been complied with, other related party transactions disclosed in note 39 to the consolidated financial statements do not constitute connected transactions or continuing connected transactions which are subject to reporting, announcement, annual review and/or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. During the year, the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining high standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 11 to 27.

AUDIT COMMITTEE

The Company has an audit committee which was established in compliance with Rule 3.21 of the Listing Rules for the purpose of reviewing and providing supervision over the Group's financial reporting process and internal controls. The audit committee comprises the three Independent Non-executive Directors. The financial statements of the Group and of the Company for the year ended 31 December 2025 together with the notes attached thereto have been reviewed by the audit committee, which was of the opinion that such statements complied with the applicable accounting standards, the Listing Rules and the legal requirements, and that adequate disclosure has been made.

TAX RELIEF AND EXEMPTION

The Company is not aware of any relief from taxation available to Shareholders by reason of their holding or the Company's listed securities.

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in note 43 to the consolidated financial statement regarding the redemption and repurchase by the Company in 2026 of all medium-term bonds outstanding as of 31 December 2025, there are no significant events affecting the Group after 31 December 2025.

MANAGEMENT CONTRACTS

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the Year.



REPORT OF THE DIRECTORS

AUDITORS

On 8 November 2024, Ernst & Young resigned as auditors of the Company and Grant Thornton Hong Kong Limited was appointed by the directors as auditors of the Company to fill the casual vacancy so arising. As approved by the Shareholders at the annual general meeting held on 16 June 2025, Grant Thornton Hong Kong Limited was re-appointed as the auditors of the Company. Save as disclosed above, there were no other changes in auditors of the Company during the past three years. Regarding the appointment of auditors at the forthcoming annual general meeting, the Company will issue separate announcements and circulars for disclosure.

CHANGES IN DIRECTORS AND INFORMATION OF DIRECTORS

Mr. Yan Weihao, who was appointed as a Non-executive Director with effect from 19 February 2025, has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 19 February 2025 and has confirmed he understood his obligations as a director of a listed issuer.

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

ON BEHALF OF THE BOARD

LIN Ruhai

Chairman

Hong Kong

31 March 2026



INDEPENDENT AUDITOR'S REPORT



Grant Thornton
致同

To the shareholders of Royale Home Holdings Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Royale Home Holdings Limited (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 55 to 147, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (the “Code”), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to note 2.1 to the consolidated financial statements, which describes the principal conditions that raise doubt about the Group’s ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group’s ability to continue as a going concern. Our opinion is not modified in respect of this matter.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Valuation of properties stated at fair value

Refer to notes 2.5, 2.6, 4, 14 and 15 to the consolidated financial statements

| The key audit matter | How the matter was addressed in our audit |
|--|--|
| <p>As at 31 December 2025, the Group had investment properties and property, plant and equipment using revaluation model amounting to approximately RMB550,116,000 and RMB361,200,000, respectively. For the year ended 31 December 2025, loss arising from change in fair value of investment properties and deficit on revaluation on property, plant and equipment using revaluation model amounting to approximately RMB51,062,000 and RMB106,432,000, respectively was recognised in the consolidated statement of profit or loss and the consolidated statement of comprehensive income, respectively.</p> | <p>Our audit procedures to assess the valuation of investment properties and property, plant and equipment using revaluation model included:</p> |
| <p>The valuation of the Group's investment properties and property, plant and equipment using revaluation model requires significant management estimation and judgement taking into account the conditions and locations of the properties as well as the latest market transactions. The Group has engaged independent external valuers ("Valuers") to perform valuations on the investment properties and property, plant and equipment using revaluation model at the end of the reporting period.</p> | <ul style="list-style-type: none"> <li data-bbox="810 702 1441 763">– evaluating the competence, capabilities and objectivity of the Valuers; <li data-bbox="810 802 1441 918">– obtaining an understanding from the Valuers about the valuation methodologies, significant unobservable inputs and critical judgement on key inputs and data used in the valuations; <li data-bbox="810 957 1441 1017">– assessing the reasonableness of valuation methodologies used by the Valuers; <li data-bbox="810 1056 1441 1172">– assessing the reasonableness of significant unobservable inputs used by the Valuers by comparing them to publicly available information of similar comparable properties; <li data-bbox="810 1211 1441 1366">– evaluating the reasonableness of adjusting factors on the conditions and locations of the properties made by the Valuers by comparing them with historical adjusting factors applied, comparability and other market factors for similar properties; and <li data-bbox="810 1405 1441 1491">– discussing the valuations with the Valuers and challenging the key estimates adopted in the valuations. |
| <p>We identified the valuation of investment properties and property, plant and equipment using revaluation model as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with significant management estimation and judgement associated with when determining the fair value.</p> | |



INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (Continued)

Impairment of property, plant and equipment and right-of-use assets

Refer to notes 2.5, 2.15, 4, 14 and 17 to the consolidated financial statements

| The key audit matter | How the matter was addressed in our audit |
|--|--|
| <p>As at 31 December 2025, the Group had property, plant and equipment using cost model and right-of-use assets amounting to approximately RMB129,481,000 and RMB215,480,000, respectively. For the year ended 31 December 2025, no impairment loss was recognised in the consolidated statement of profit or loss.</p> | <p>Our audit procedures to assess the impairment assessment of property, plant and equipment using cost model and right-of-use assets included:</p> |
| <p>The estimation of impairment of property, plant and equipment using cost model and right-of-use assets requires the management to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate.</p> | <ul style="list-style-type: none"> – obtaining the management's procedures on identifying property, plant and equipment and right-of-use assets with impairment indicators; – discussing indicators of impairment of property, plant and equipment and right-of-use assets with the management, and for cash generating units where such indicators were identified; – assessing the methodologies used by the Valuer to estimate fair value less costs of disposal; and – assessing the reasonableness of the significant unobservable inputs and critical judgement on key inputs and data used in the valuations. |
| <p>We identified the measurement of impairment of property, plant and equipment using cost model and right-of-use assets as a key audit matter due to the estimation of impairment involves significant estimates and judgements by the management.</p> | |



INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2025 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee are responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with our agreed terms of engagements, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.



INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton Hong Kong Limited

Certified Public Accountants

11th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong SAR

31 March 2026

Lam Kam Fung

Practising Certificate No.: P07822



CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

| | Notes | 2025 RMB'000 | 2024 RMB'000 |
|---|-------|------------------|-----------------|
| Revenue | 6 | 381,091 | 525,607 |
| Cost of sales | | (362,064) | (490,196) |
| Gross profit | | 19,027 | 35,411 |
| Other income and gains | 6 | 64,387 | 68,010 |
| Selling and distribution expenses | | (70,706) | (100,166) |
| Administrative expenses | | (135,441) | (128,942) |
| Gain on disposal of a subsidiary and an associate | 40 | 60,703 | – |
| (Loss)/Gain arising from change in fair value of investment properties | 15 | (51,062) | 1,978 |
| Provision for expected credit loss (“ECL”) allowance of trade receivables, other receivables and contract assets | 8 | (52,147) | (70,115) |
| Provision for impairment of assets | 8 | (66,895) | (31,049) |
| Other expenses | | (24,284) | (18,747) |
| Finance costs | 7 | (213,583) | (171,656) |
| Share of results of associates | 19 | (144,339) | (16,297) |
| Loss before income tax | 8 | (614,340) | (431,573) |
| Income tax (expense)/credit | 11 | (2,329) | 83,267 |
| Loss for the year | | (616,669) | (348,306) |
| Loss for the year attributable to: | | | |
| Owners of the Company | | (602,796) | (334,391) |
| Non-controlling interests | | (13,873) | (13,915) |
| | | (616,669) | (348,306) |
| Loss per share attributable to owners of the Company | 13 | | |
| Basic and diluted (RMB cents) | | (24.327) | (13.495) |

The notes on pages 62 to 147 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

| | Note | 2025 RMB'000 | 2024 RMB'000 |
|---|------|------------------|-----------------|
| Loss for the year | | (616,669) | (348,306) |
| Other comprehensive (loss)/income | | | |
| Items that will be reclassified subsequently to profit or loss | | | |
| Exchange differences on translation of financial statements of foreign operations | | (29,012) | 2,665 |
| Items that will not be reclassified subsequently to profit or loss | | | |
| Translation from functional currency to presentation currency | | (11,574) | 1,170 |
| (Deficit)/Surplus on revaluation of properties held for own use | 14 | (106,432) | 5,461 |
| Income tax relating to items that will not be reclassified | | 26,608 | (1,365) |
| | | (91,398) | 5,266 |
| Other comprehensive (loss)/income for the year, net of tax | | (120,410) | 7,931 |
| Total comprehensive loss the year | | (737,079) | (340,375) |
| Total comprehensive loss attributable to: | | | |
| Owners of the Company | | (723,288) | (326,460) |
| Non-controlling interests | | (13,791) | (13,915) |
| | | (737,079) | (340,375) |

The notes on pages 62 to 147 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

| | Notes | 2025 RMB'000 | 2024 RMB'000 |
|--|-------|------------------|-----------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | 14 | 490,681 | 715,672 |
| Investment properties | 15 | 550,116 | 601,178 |
| Intangible assets | 16 | 2,309 | 2,056 |
| Right-of-use assets | 17(a) | 215,480 | 259,851 |
| Goodwill | 18 | 3,952 | 25,052 |
| Investments in associates | 19 | 749,942 | 1,248,638 |
| Amounts due from associates | 19 | 1,097,412 | – |
| Deferred tax assets | 20 | 37,245 | 46,000 |
| Prepayments, deposits and other receivables | 23 | 83,575 | 98,697 |
| Restricted bank deposits | 25 | 500 | 5,318 |
| | | 3,231,212 | 3,002,462 |
| Current assets | | | |
| Inventories | 21 | 223,547 | 271,352 |
| Trade receivables | 22 | 204,658 | 232,020 |
| Prepayments, deposits and other receivables | 23 | 746,589 | 343,898 |
| Contract assets | 24 | 1,088 | 2,173 |
| Amounts due from associates | 30 | – | 1,090,685 |
| Restricted bank deposits | 25 | 12,482 | 5,031 |
| Cash and cash equivalents | 25 | 78,299 | 20,452 |
| | | 1,266,663 | 1,965,611 |
| Assets classified as held for sale | 26 | – | 60,000 |
| | | 1,266,663 | 2,025,611 |
| Current liabilities | | | |
| Trade payables | 27 | 146,837 | 205,795 |
| Other payables and accruals | 28 | 152,948 | 207,802 |
| Lease liabilities | 17(b) | 8,980 | 9,656 |
| Borrowings | 29 | 710,237 | 1,105,953 |
| Loan from the ultimate holding company | 30 | 19,691 | 924,769 |
| Loan from fellow subsidiaries | 30 | 100,318 | 54,169 |
| Loan from an associate | 30 | – | 27,200 |
| Loan from non-controlling interests | 30 | 51,073 | 47,342 |
| Tax payable | | 66,411 | 82,075 |
| | | 1,256,495 | 2,664,761 |
| Net current assets/(liabilities) | | 10,168 | (699,150) |
| Total assets less current liabilities | | 3,241,380 | 2,363,312 |



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

| | Notes | 2025 RMB'000 | 2024 RMB'000 |
|--|-------|------------------|-----------------|
| Non-current liabilities | | | |
| Medium term bonds | 31 | 42,390 | 40,729 |
| Borrowings | 29 | 148,527 | 584,616 |
| Loan from the ultimate holding company | 30 | 1,956,293 | – |
| Loan from the immediate holding company | 30 | 198,155 | 114,888 |
| Loan from a fellow subsidiary | 30 | 75,090 | – |
| Lease liabilities | 17(b) | 11,580 | 19,466 |
| Deferred tax liabilities | 20 | 69,931 | 122,096 |
| Deferred government grants | 32 | 30,344 | 35,368 |
| | | 2,532,310 | 917,163 |
| Net assets | | | |
| | | 709,070 | 1,446,149 |
| Equity | | | |
| Share capital | 33 | 221,592 | 221,592 |
| Reserves | 34 | 349,860 | 1,073,148 |
| Equity attributable to owners of the Company | | 571,452 | 1,294,740 |
| Non-controlling interests | | 137,618 | 151,409 |
| Total equity | | 709,070 | 1,446,149 |

The notes on pages 62 to 147 are an integral part of these consolidated financial statements.

Lin Ruhai

Director



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2025

Attributable to owners of the parent

| | Shares held under | | Share premium account* | Capital reserve* | Property revaluation reserve* | Statutory reserve* | Exchange fluctuation reserve* | Retained profits* | Total | Non-controlling interests | Total equity |
|--|----------------------|----------------------|------------------------|----------------------|-------------------------------|----------------------|-------------------------------|-------------------|------------------|---------------------------|------------------|
| | Share capital | share award scheme* | | | | | | | | | |
| | RMB'000 (Note 33) | RMB'000 (Note 36) | RMB'000 (Note 36) | RMB'000 (Note 36) | RMB'000 (Note 36) | RMB'000 (Note 36) | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| 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 year | - | - | - | - | - | - | - | (334,391) | (334,391) | (13,915) | (348,306) |
| Other comprehensive income/(loss) for the year | - | - | - | - | 4,096 | - | 3,835 | - | 7,931 | - | 7,931 |
| Total comprehensive loss for the year | - | - | - | - | 4,096 | - | 3,835 | (334,391) | (326,460) | (13,915) | (340,375) |
| Appropriation of statutory reserve | - | - | - | - | - | 1,422 | - | (1,422) | - | - | - |
| Transfer from property revaluation reserve | - | - | - | - | (239) | - | - | 239 | - | - | - |
| At 31 December 2024 and 1 January 2025 | 221,592 | (199,655) | 934,514 | (7,953) | 193,975 | 112,910 | (27,215) | 66,572 | 1,294,740 | 151,409 | 1,446,149 |
| Loss for the year | - | - | - | - | - | - | - | (602,796) | (602,796) | (13,873) | (616,669) |
| Other comprehensive (loss)/income for the year | - | - | - | - | (79,824) | - | (40,668) | - | (120,492) | 82 | (120,410) |
| Total comprehensive loss for the year | - | - | - | - | (79,824) | - | (40,668) | (602,796) | (723,288) | (13,791) | (737,079) |
| Transfer from property revaluation reserve | - | - | - | - | (485) | - | - | 485 | - | - | - |
| At 31 December 2025 | 221,592 | (199,655) | 934,514 | (7,953) | 113,666 | 112,910 | (67,883) | (535,739) | 571,452 | 137,618 | 709,070 |

* These reserve accounts comprise the consolidated reserves of RMB349,860,000 (2024: RMB1,073,148,000) in the consolidated statement of financial position.

The notes on pages 62 to 147 are an integral part of these consolidated financial statements.



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

| | 2025 RMB'000 | 2024 RMB'000 |
|--|------------------|-----------------|
| Cash flows from operating activities | | |
| Loss before income tax | (614,340) | (431,573) |
| Adjustments for: | | |
| Bank interest income | (103) | (5,023) |
| Interest income from an associate | (50,042) | (42,503) |
| Compensation income from controlling shareholder of an associate | – | (9,467) |
| Government grants | (3,325) | (2,189) |
| Compensation from legal case | (480) | (4,000) |
| Finance costs | 213,583 | 171,656 |
| Depreciation of property, plant and equipment | 43,525 | 45,162 |
| Written off of property, plant and equipment | 173 | 45,021 |
| Loss/(Gain) arising from change in fair value of investment properties | 51,062 | (1,978) |
| Depreciation of right-of-use assets | 19,451 | 21,672 |
| Amortisation of intangible assets | 511 | 463 |
| Gain from derecognition of leases upon early termination | (364) | (2,790) |
| Impairment of goodwill | 21,100 | – |
| Share of results of associates | 144,339 | 16,297 |
| Write-down of to net realisable value for assets classified as held for sale | – | 4,647 |
| Loss on deemed disposal of interest in an associate | – | 9,861 |
| Write-down of inventories to net realisable value | 45,795 | 31,049 |
| Provision for ECL allowance of trade receivables | 44,023 | 59,627 |
| Provision for ECL allowance of other receivables | 7,750 | 10,203 |
| Provision for ECL allowance of contract assets | 374 | 285 |
| Gain on disposal of a subsidiary and an associate | (60,703) | – |
| Operating cash flows before working capital changes | (137,671) | (83,580) |
| Changes in inventories | 2,010 | (2) |
| Changes in trade receivables | (16,661) | (55,269) |
| Changes in prepayments, deposits and other receivables | 1,335 | (61,041) |
| Changes in contract assets | 711 | 2,134 |
| Changes in trade payables | (58,958) | (14,863) |
| Changes in other payables and accruals | (14,793) | (25,119) |
| Cash used in operations | (224,027) | (237,740) |
| Income taxes paid | (42,270) | (2,544) |
| Net cash flows used in operating activities | (266,297) | (240,284) |



CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2025

| | Notes | 2025 RMB'000 | 2024 RMB'000 |
|--|-------|-----------------|-----------------|
| Cash flows from investing activities | | | |
| Interest received | | 103 | 5,023 |
| Dividends received from associate | | 24,335 | 22,940 |
| Purchase of property, plant and equipment | | (10,747) | (329) |
| Purchase of intangible assets | | (764) | (1,819) |
| (Repayment from)/Advance to an associate | | 13,693 | (23,936) |
| Proceeds from disposal of assets classified as held for sale | | 40,000 | – |
| Net cash flows generated from investing activities | | 66,620 | 1,879 |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 212,562 | 1,012,562 |
| Repayment of borrowings | | (965,986) | (1,711,886) |
| Payment of lease liabilities | 17(b) | (13,238) | (13,182) |
| Proceeds from loan from the ultimate holding company | | 1,051,046 | 845,769 |
| Proceeds from loan from fellow subsidiaries | | 121,239 | 54,000 |
| Repayment of loan from an associate | | (27,200) | (25,800) |
| Proceeds from loan from a non-controlling interest | | 3,731 | – |
| Repayment of loan from a director | | – | (18,969) |
| Proceeds from loan from the immediate holding company | | 80,813 | 11,866 |
| Government grant received | | 372 | 4,362 |
| Interest paid | | (202,976) | (158,578) |
| Changes in restricted bank deposits | | (2,633) | 222,909 |
| Net cash flows generated from financing activities | | 257,730 | 223,053 |
| Net increase/(decrease) in cash and cash equivalents | | 58,053 | (15,352) |
| Cash and cash equivalents at beginning of year | | 20,452 | 29,270 |
| Effect of foreign exchange rate changes, net | | (206) | 6,534 |
| Cash and cash equivalents at end of year | 25 | 78,299 | 20,452 |

The notes on pages 62 to 147 are an integral part of these consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION

Royale Home Holdings Limited (the “Company”) is a limited liability company incorporated in the Cayman Islands. The address of registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The Company’s shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. The Company and its subsidiaries (the “Group”) were principally engaged in the manufacture and sale of furniture, development properties for sale and property investments and hotel operation in the People’s Republic of China (the “PRC”).

The immediate and ultimate holding companies of the Company are Science City (Hong Kong) Investment Co., Ltd. and Science City (Guangzhou) Investment Group Co., Ltd, which are limited liability companies and incorporated in Hong Kong and the PRC, respectively.

The consolidated financial statements for the year ended 31 December 2025 were approved for issue by the board of directors on 31 March 2026.

Information about subsidiaries

Particulars of the principal subsidiaries as of 31 December 2025 and 2024 are as follows:

| Name of company | Place/Country of incorporation/ registration | Place/Country of operation and business | Type of legal entity | Issued and paid ordinary/ registered share capital | Percentage of ownership interests held by the Company | | Principal activities |
|---|--|---|---------------------------|--|---|------------------|-----------------------------------|
| | | | | | 2025 | 2024 | |
| Chitaly (BVI) Limited | British Virgin Islands (“BVI”) | Hong Kong | Limited liability company | US\$50,000 ordinary shares | 100 ³ | 100 ³ | Investment holding |
| Hong Kong Royal Furniture Holding Limited 香港皇朝傢俬集團有限公司 | Hong Kong | Hong Kong | Limited liability company | HK\$10,000 ordinary shares | 99.99 | 99.99 | Investment holding |
| Chitaly Furniture Limited 中意傢俬有限公司 | Hong Kong | Hong Kong | Limited liability company | HK\$10,000 ordinary shares | 99.99 | 99.99 | Investment holding |
| Wanlibao (Guangzhou) Supply Chain Limited ^{1,2} 萬利寶(廣州)供應鏈有限公司 ^{1,2} | The PRC | The PRC | Limited liability company | US\$5,700,000 ordinary shares | 100 | 100 | Trading of commodities |
| Guangzhou Yufa Furniture Company Limited ^{1,2} 廣州裕發傢俱有限公司 ^{1,2} | The PRC | The PRC | Limited liability company | Registered capital of RMB500,000,000 | 100 | 100 | Manufacture and sale of furniture |
| Hong Kong Wong Chiu Furniture Holding Limited | BVI | Hong Kong | Limited liability company | US\$50,000 ordinary shares | 100 | 100 | Dormant |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION (Continued)

Information about subsidiaries (Continued)

| Name of company | Place/Country of incorporation/ registration | Place/Country of operation and business | Type of legal entity | Issued and paid ordinary/ registered share capital | Percentage of ownership interests held by the Company | | Principal activities |
|--|--|---|---------------------------|--|---|-------|-----------------------------------|
| | | | | | 2025 | 2024 | |
| Guangzhou Fuli Furniture Company Limited ^{1,2} 廣州富利傢俱有限公司 ^{1,2} | The PRC | The PRC | Limited liability company | HK\$72,000,000 ordinary shares | 100 | 100 | Manufacture and sale of furniture |
| Realink Investment Group Limited | BVI | Hong Kong | Limited liability company | US\$50,000 ordinary shares | 100 | 100 | Investment holding |
| Beauty City Holdings Limited | BVI | Hong Kong | Limited liability company | US\$50,000 ordinary shares | 100 | 100 | Investment holding |
| Jiangxi Furun Furniture Company Limited ² 江西富潤傢俱有限公司 ² | The PRC | The PRC | Limited liability company | Registered capital of US\$26,964,145.47 | 63.38 | 63.38 | Rental of properties |
| Tianjin Royal Furniture Company Limited ² 天津皇朝傢俬有限公司 ² | The PRC | The PRC | Limited liability company | Registered capital of RMB150,000,000 | 55 | 55 | Rental of properties |
| Guangzhou Royal Furniture Company Limited ^{1,2} 廣州皇朝家具有限公司 ^{1,2} | The PRC | The PRC | Limited liability company | Registered capital of RMB100,000,000 | 100 | 100 | Manufacture and sale of furniture |
| Guangzhou Hong Mian Hong Company Limited ² 廣州市紅棉紅泡沫塑料有限公司 ² | The PRC | The PRC | Limited liability company | Registered capital of RMB500,000 | 80 | 80 | Manufacture and sale of foam |
| Guangzhou Zunyi Trading Company Limited ² 廣州尊益貿易有限公司 ² | The PRC | The PRC | Limited liability company | Registered capital of RMB500,000 | 100 | 100 | Dormant |
| Guangzhou Runyu Horticulture Company Limited ² 廣州市潤鬱園藝有限公司 ² | The PRC | The PRC | Limited liability company | Registered capital of RMB300,000 | 75 | 75 | Dormant |
| Guangzhou Wanlibao Industrial Holding Limited ² 廣州萬利寶實業控股有限公司 ² | The PRC | The PRC | Limited liability company | Registered capital of RMB1,400,000,000 | 100 | 100 | Investment holding |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION (Continued)

Information about subsidiaries (Continued)

| Name of company | Place/Country of incorporation/ registration | Place/Country of operation and business | Type of legal entity | Issued and paid ordinary/ registered share capital | Percentage of ownership interests held by the Company | | Principal activities |
|---|--|---|---------------------------|--|---|------|-----------------------------------|
| | | | | | 2025 | 2024 | |
| Guangzhou Dynasty Zhijia Furniture Co., Ltd. (formerly known as Guangzhou Kemi Zhijia Furniture Co., Ltd.) ² 廣州皇朝智家家具有限公司 (formerly known as 廣州科米智家家具有限公司) ² | The PRC | The PRC | Limited liability company | Registered capital of RMB8,000,000 | 100 | 100 | Sale of upholstered furniture |
| Guangzhou Kemi Decoration Co., Ltd. ² 廣州科米裝飾工程有限公司 ² | The PRC | The PRC | Limited liability company | Registered capital of RMB28,000,000 | 100 | 100 | Decoration services |
| Jiangsu Huangju Technology Co., Ltd. ^{1,2} 江蘇皇居科技有限公司 ^{1,2} | The PRC | The PRC | Limited liability company | Registered capital of RMB200,000,000 | 100 | 100 | Manufacture and sale of furniture |
| Guangzhou Imperial Palace Hotel Co., Ltd. ^{1,2} 廣州皇朝御苑酒店有限公司 ^{1,2} | The PRC | The PRC | Limited liability company | US\$25,000,000 ordinary shares | 100 | 100 | Hotel operations |
| Qingyuan Yuyuan Home Ltd. (formerly known as Guangzhou Yuyuan Real Estate Development Co., Ltd.) ^{1,2} 清遠禦園家居有限公司(原名為廣州禦園地產發展有限公司) ^{1,2} | The PRC | The PRC | Limited liability company | Registered capital of RMB1,000,000 | 100 | 100 | Manufacture and sale of furniture |

Notes:

- 1 These subsidiaries are wholly-foreign-owned enterprise established under the PRC Law.
- 2 The English names of these companies represent the best effort made by the management of the Company to directly translate the Chinese names as they do not register any official English names.
- 3 Issued capital held directly by the Company.

The above table lists the principal subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION (Continued)

Information about subsidiaries (Continued)

The Group includes two subsidiaries with material non-controlling interests ("NCI"), the details and the summarised financial information, before intragroup eliminations, are as follows:

| | Tianjin Royal Furniture Co., Ltd. 天津皇朝傢俬有限公司 | | Jiangxi Furun Furniture Co., Ltd. 江西富潤家具有限公司 | |
|--|---|-----------------|---|-----------------|
| | 2025 RMB'000 | 2024 RMB'000 | 2025 RMB'000 | 2024 RMB'000 |
| Proportion of ownership interests and voting rights held by the NCI | 45.00% | 45.00% | 36.62% | 36.62% |
| Current assets | 112 | 173 | 6,496 | 5,509 |
| Non-current assets | 372,210 | 394,618 | 179,020 | 207,824 |
| Current liabilities | (111,529) | (106,318) | (17,609) | (19,007) |
| Non-current liabilities | (76,524) | (112,435) | (9,506) | (21,939) |
| Net assets | 184,269 | 176,038 | 158,401 | 172,387 |
| Carrying amount of NCI | 82,921 | 79,217 | 58,006 | 63,128 |
| Revenue | 19,432 | 29 | – | – |
| Expenses | (11,201) | (27,726) | (22,817) | (1,958) |
| Profit/(Loss) and total comprehensive income/(expense) for the year | 8,231 | (27,697) | (22,817) | (1,958) |
| Profit/(Loss) and total comprehensive income/(expense) attributable to NCI | 3,704 | (12,464) | (8,356) | (717) |
| Net cash used in operating activities | (1,258) | (1,137) | (1,103) | (917) |
| Net cash generated from financing activities | 1,200 | – | 1,252 | – |
| Net increase/(decrease) in cash and cash equivalents | (58) | (1,137) | 149 | (917) |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards as issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), which collective term includes all applicable individual HKFRS accounting standards, Hong Kong Accounting Standards and Interpretations (“HKFRS Accounting Standards”) and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosures requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”).

The material accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRS Accounting Standards and the impacts on the Group’s consolidated financial statements, if any, are disclosed in note 3.

These consolidated financial statements have been prepared on the historical cost basis except for investment properties, and certain buildings classified as property, plant and equipment which have been measured at fair value. Non-current assets held for sale are stated the lower of carrying amount and fair value less costs to sell. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

Going concern basis

The Group incurred a loss of approximately RMB617 million during the year ended 31 December 2025 and, as of that date, the Group had current borrowings of approximately RMB710 million while its cash and cash equivalents amounted to approximately RMB78 million. The above conditions indicated the existence of a material uncertainty which may cast a 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 RMB631 million (2024: RMB1,334 million) are guaranteed by Science City (Guangzhou) Investment Group Co., Ltd.* (“Science City”). Science City has agreed to continue to act as the Group’s guarantor for the next twelve months on all the existing and new bank and other loans with an aggregated amount of not exceeding RMB2,000 million (2024: 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 31 December 2025, the Group also had unpledged investment properties with carrying amount of approximately RMB550 million (2024: RMB601 million) which are available for use as security to obtain new bank and other loans. Subsequent to the year end date, the Group has successfully renewed or obtained new bank and other loans in the amount of RMB280 million (2024: RMB424 million);

* For identification purposes only



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

Going concern basis (Continued)

- (ii) The Group will continue to seek suitable opportunities to dispose of certain equity interest in both associates and subsidiaries and other assets to raise the level of liquid funds; and
- (iii) The Group will continue to implement measures to improve its 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 expenses.

The board of directors has reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2025. They are of the opinion that, taking into account the above-mentioned 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 31 December 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 of continuous financing from the banks and the Group's creditors;
- (ii) continuing guarantee provided from Science City;
- (iii) successfully disposing of the Group's certain equity interest in both associates and subsidiaries and other assets when suitable; and
- (iv) the successful and timely implementation of plans to improve the operation performance, speed up the collection of outstanding sales proceeds and other receivables, and control costs and expenses 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 consolidated financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e. reclassified to profit or loss or transferred directly to retained profits).

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.3 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In consolidated financial statements, an investment in an associate is initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment.

Under the equity method, the Group's interest in the associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate for the year, including any impairment loss on the investment in associate recognised for the year. The Group's other comprehensive income for the year includes its share of the associate's other comprehensive income for the year.

Unrealised gains on transactions between the Group and its associate are eliminated to the extent of the Group's interest in the associates. Where unrealised losses on assets sales between the Group and its associate are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equal or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate. At the end of each reporting period, the Group determines whether there is any objective evidence that the investment in associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate, including cash flows arising from the operations of the associate and the proceeds on ultimate disposal of the investment.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

The consolidated financial statements are presented in Renminbi (“RMB”), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation of monetary assets and liabilities at the end of reporting period are recognised in profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date). When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss.

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group’s presentation currency, have been converted into Renminbi. Assets and liabilities have been translated into Renminbi at the closing rates at the end of the reporting period. Income and expenses have been converted into the Renminbi at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange fluctuation reserve in equity.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment (other than construction in progress as described below) are initially recognised at acquisition cost and/or manufacturing cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management). Except for building held for hotel operation and properties in the course of construction for production as described below, they are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Building held for hotel operation is stated at fair value less accumulated depreciation and accumulated impairment losses, if any. Any revaluation surplus is recognised in other comprehensive income and credited to "Property revaluation reserve" in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease is recognised in profit or loss. An annual transfer from the property revaluation reserve to retained profits is made for the difference between the depreciation based on the revalued carrying amount of an asset and the depreciation based on the asset's original cost.

Properties in the course of construction for production are carried at cost, less any recognised impairment loss. Costs include professional fees. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or valuation of assets other than construction in progress less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

| | |
|--|----------------------|
| Buildings | 2.5%–5% |
| Leasehold improvements | Over the lease terms |
| Plant and machinery | 20%–50% |
| Furniture, fixtures and office equipment | 10%–50% |
| Motor vehicles and others | 20% |

Estimates of residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any revaluation surplus remaining in equity is transferred to retained profits upon the disposal of land and building carried at revalued amount.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.6 Investment properties

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

On initial recognition, investment property is measured at cost, and subsequently at fair value, unless fair value cannot be reliably determined at that time.

Cost includes expenditure that is directly attributable to the acquisition of the investment property.

Fair value is determined by external professional valuers, with sufficient experience with respect to both the location and the nature of the investment property. The carrying amounts recognised at the end of the reporting period reflect the prevailing market conditions at the end of the reporting period.

Gains or losses arising from either changes in the fair value or the sale of an investment property are included in profit or loss in the period in which they arise.

2.7 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of subsidiaries. Accounting for goodwill arising on acquisition of interest in an associate is set out in note 2.3.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.21).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (other than goodwill) and research and development activities

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

Amortisation for intangible assets with finite useful lives is provided on straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

| | |
|--------------------------------|-----------|
| Patents, licences and software | 2–5 years |
| Customer relationships | 5 years |

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Intangible assets with finite useful lives are tested for impairments as described below in note 2.21.

Research and development costs

Costs associated with research activities are expensed in profit or loss as they incur. Costs that are directly attributable to development activities are recognised as intangible assets provided they meet all of the following recognition requirements:

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) there is intention to complete the intangible asset and use or sell it;
- (iii) the Group's ability to use or sell the intangible asset is demonstrated;
- (iv) the intangible asset will generate probable economic benefits through internal use or sale;
- (v) sufficient technical, financial and other resources are available for completion; and
- (vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities along with an appropriate portion of relevant overheads. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. They are subject to the same subsequent measurement method as acquired intangible assets.

All other development costs are expensed as incurred.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.9 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15 “Revenue from Contracts with Customers”, all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss (“FVTPL”), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the profit or loss.

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost; or
- FVTPL.

The classification is determined by both:

- the entity’s business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within other income and gains and finance costs except for ECL allowance of financial assets which is presented as a separate item in the consolidated statement of profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in “other income and gains” in the consolidated statement of profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group’s trade receivables, deposits and other receivables, amounts due from associates, restricted bank deposits and cash and cash equivalents fall into this category of financial instruments.

Financial liabilities

Classification and measurement of financial liabilities

The Group’s financial liabilities include trade payables, other payables and accruals, borrowings, loans from related parties, medium term bonds and lease liabilities.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method.

All interest-related charges and, if applicable, changes in an instrument’s fair value that are reported in profit or loss are included within other income and gains and finance costs.

Accounting policies of lease liabilities are set out in note 2.15.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless as at the end of the reporting period, the Group has a right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Trade payables, other payables and accruals, medium term bonds and loans from related parties

Trade payables, other payables and accruals, medium term bonds and loans from related parties are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

2.10 Impairment of financial assets and contract assets

HKFRS 9's impairment requirements use more forward-looking information to recognise ECL – the “ECL model”. Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables and contract assets recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (“Stage 1”); and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (“Stage 2”).

“Stage 3” would cover financial assets that have objective evidence of impairment at the end of reporting period.

“12-month ECL” are recognised for the Stage 1 category while “lifetime ECL” are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets and contract assets (Continued)

Trade receivables and contract assets

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at the end of each reporting period. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the ECL rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the end of reporting period with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and
- an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than one year past due, unless the Group has reasonable and supportable information that demonstrates otherwise.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets and contract assets (Continued)

Other financial assets measured at amortised cost (Continued)

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or (ii) the financial asset is more than three years past due.

Detailed analysis of the ECL assessment of trade receivables, contract assets and other financial assets measured at amortised cost are set out in notes 22 and 23.

2.11 Inventories

Inventories are carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses. Cost is determined using the weighted average basis, and in the case of work in progress and finished goods, comprise direct materials, direct labour and an appropriate proportion of overheads. It excludes borrowing costs.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank deposits which are restricted are included in "Restricted bank deposits" of the consolidated statements of financial position.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 26.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.13 Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECL in accordance with the policy set out in note 2.10 and are reclassified to receivables when the right to the consideration has become unconditional.

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2.14 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within "Other payables and accruals". The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under HKFRS 9 as set out in note 2.10 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.15 Leases

(a) *Definition of a lease and the Group as a lessee*

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.15 Leases (Continued)

(a) **Definition of a lease and the Group as a lessee** (Continued)

Measurement and recognition of leases as a lessee (Continued)

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less.

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(b) **The Group as a lessor**

As a lessor, the Group classifies its leases as operating leases.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

(c) **The Group as a seller-lessee**

For a transfer that does not satisfy requirements as a sale in accordance with HKFRS 15, the sale and leaseback transaction is in substance a financing arrangement under HKFRS 9. Therefore, the Group as a seller-lessee accounts for the proceeds received as "Borrowings" within the scope of HKFRS 9.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.16 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.17 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.18 Non-current assets, or disposal groups held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered principally through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Equity accounting of equity-accounted investees ceases once classified as held for sale.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition

(a) Revenue from contracts with customers

Revenue arises mainly from the sales of goods and rendering of services.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer;
2. Identifying the performance obligations;
3. Determining the transaction price;
4. Allocating the transaction price to the performance obligations; and
5. Recognising revenue when/as performance obligation(s) are satisfied.

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method.

The Group takes advantage of the practical expedient in paragraph 63 of HKFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

(a) Revenue from contracts with customers (Continued)

Further details of the Group's revenue and other income recognition policies are as follows:

Sale of goods

Revenue from sales of goods is recognised when the Group transfers control of the assets to the customer. Control transfers at the point in time when the goods are delivered to the customers. Some contracts provide customers with a right of return within a specified period once the quantity of products purchased during the period exceeds a threshold specified in the contract. Rebates are offset against amounts payable by the customer.

Installation and other ancillary services

Revenue from Installation and other ancillary services are recognised upon acceptance by the customer or the progress towards complete satisfaction of performance. Revenue is in accordance with the direct measurements of the value of the services transferred by the Group to the customer with reference to the certified value of work performed to date.

Hotel operation income

Hotel operation income is recognised over time during the period of stay for the hotel guests. Revenue from food and beverage sales is generally recognised at the point in time when the services are rendered.

Rental income

Accounting policies for rental income are set out in note 2.15.

Franchise income

Franchise income is recognised on a time proportion basis over the franchise terms.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.19 Revenue recognition (Continued)

(b) *Other contract costs*

Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer which are not capitalised as inventories, property, plant and equipment and intangible assets, the Group capitalises the costs incurred to fulfil a contract with a customer as an asset (included in inventories in the consolidated statement of financial position) if all of the following criteria are met:

- (a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;
- (b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

An asset is amortised and charged to the profit or loss on a systematic basis (i.e. over the period of installation and other ancillary services contracts) that is consistent with the transfer to the customer of the goods or services to which the asset relates. The asset is subject to impairment review. Other costs of fulfilling a contract, which are not capitalised, are expensed as incurred.

2.20 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to the purchase of assets are included in liabilities as "Deferred government grants" in the consolidated statement of financial position and are recognised in profit or loss on a straight line basis over the expected lives of the related assets/deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

Government grants relating to income is presented in gross under "Other income and gains" in the consolidated statement of profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.21 Impairment of non-financial assets (other than contract assets)

The following assets are subject to impairment testing:

- Goodwill arising on acquisition of subsidiaries;
- Intangible assets;
- Property, plant and equipment;
- Right-of-use assets; and
- The Company's interests in subsidiaries and associates.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.22 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans. In addition, the employees employed under the Hong Kong Employment Ordinance are also entitled to long service payment ("LSP") if the eligibility criteria are met. The LSP are defined benefits plans.

(a) *Defined contribution plans*

The Group operates a defined contribution retirement benefit plan under the Mandatory Provident Fund ("MPF") Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute certain percentage of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

(b) *Defined benefit plans*

The amount of long service benefit that an employee will receive on cessation of employment in certain circumstances is defined by reference to the employee's length of service and corresponding salary. The legal obligations for any benefits remains with the Group.

The LSP obligations recognised in the consolidated statement of financial position is the present value of the LSP obligation at the end of the reporting period.

Management estimates the LSP obligations annually. This is based on the discount rate, the salary growth rate, turnover rate and the expected investment return on offsetable MPF accrued benefits. Discount factors are determined close to the end of each annual reporting period by reference to government bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related LSP obligations.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.22 Employee benefits (Continued)

Retirement benefits (Continued)

(b) *Defined benefit plans* (Continued)

Defined benefit costs are categorised as follows:

- service cost (including current and past service cost, and gains and losses on curtailments and settlements);
- net interest expense or income; and
- remeasurement.

Service cost on the Group's defined benefit plan is included in employee benefits expense. Employee contributions, all of which are independent of the number of years of service, are treated as a reduction of service cost.

Net interest expense on the net defined benefit liability is included in employee benefits expenses.

Gains and losses resulting from remeasurements of the net defined benefit liability, comprising actuarial gains and losses, are included in other comprehensive income and are not reclassified to profit or loss in subsequent periods.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Share-based employee compensation

The Group grants shares of the Company to employees under its share award scheme. The Group purchase its own shares through the administrative committee of the share award scheme from the open market for the shares to be vested under the share award scheme. The shares purchased by the Group that are not yet vested for this share award scheme were recorded as "Shares held under share award scheme" as a deduction under equity. Upon vesting of the awarded shares, the related costs of the purchased shares are reduced from the "Shares held under share award scheme", and the related fair value of the awarded shares are debited to share award reserve with the difference charged/credited to retained profits.

2.23 Borrowing costs

Borrowing costs are expensed when incurred.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.24 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of the reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of the reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For investment property measured using the fair value model in accordance with the accounting policy above, the measurement of the related deferred tax liability or asset reflects the tax consequences of recovering the carrying amount of the investment property entirely through sale, unless the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the requirements in HKAS 12 to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.24 Accounting for income taxes (Continued)

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of the reporting period.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

When different tax rates apply to different levels of taxable income, deferred tax assets and liabilities are measured using the average tax rates that are expected to apply to the taxable income of the periods in which the temporary differences are expected to reverse.

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

- income or loss excluding reversals of temporary differences; and
- reversals of existing temporary differences.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.25 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product and service lines.

The Group has identified the following reportable segments:

- Manufacture and sale of furniture
- Development properties for sales and property investments
- Hotel operations
- Trading of aluminium ingots and bars

Each of these operating segments is managed separately as each of the product and service lines requires different resources as well as marketing approaches. All inter-segment transfers are carried out at arm's length prices.

The measurement policies the Group used for reporting segment results under HKFRS 8 "Operating Segments" are the same as those used in its financial statements prepared under HKFRS Accounting Standards.

Segment assets include all assets which are not directly attributable to the business activities of any operating segment, which primarily applies to the Group's head office.

Segment liabilities which are not directly attributable to the business activities of any operating segment and are not allocated to a segment. These include bank loans which are not directly attributable to the business activities of any operating segment.

2.26 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (Continued)

2.26 Related parties (Continued)

- (b) the party is an entity and if any of the following conditions applies:
- (i) the entity and the Group are members of the same group.
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) the entity and the Group are joint ventures of the same third party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRS ACCOUNTING STANDARDS

3.1 Amended HKFRS Accounting Standards that are effective for annual periods beginning on 1 January 2025

In the current year, the Group has applied for the first time the Amendments to HKAS 21 “Lack of Exchangeability” which are effective for the Group’s consolidated financial statements for the annual period beginning on 1 January 2025.

The amendments do not have a material impact on the financial statements of the Group.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. ADOPTION OF NEW AND AMENDED HKFRS ACCOUNTING STANDARDS (Continued)

3.2 Issued but not yet effective HKFRS Accounting Standards

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRS Accounting Standards have been published but are not yet effective, and have not been adopted early by the Group.

| | |
|--|--|
| HKFRS 18 | Presentation and Disclosure in Financial Statements ² |
| HKFRS 19 | Subsidiaries without Public Accountability: Disclosures and related amendments ² |
| Amendments to HKAS 21 | Translation to a Hyperinflationary Presentation Currency ² |
| Amendments to HKFRS 9 and HKFRS 7 | Amendments to the Classification and Measurement of Financial Instruments ¹ |
| Amendments to HKFRS 9 and HKFRS 7 | Contracts Referencing Nature-dependent Electricity ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendments to HKFRS Accounting Standards | Annual Improvements to HKFRS Accounting Standards – Volume 11 ¹ |
| Amendments to Hong Kong Interpretation 5 | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ² |

¹ Effective for annual periods beginning on or after 1 January 2026

² Effective for annual periods beginning on or after 1 January 2027

³ Effective date not yet determined

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended HKFRS Accounting Standards that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRS Accounting Standards are not expected to have a material impact on the Group's consolidated financial statements.

HKFRS 18 "Presentation and Disclosure in Financial Statements" and related amendments to Hong Kong Interpretation 5

HKFRS 18 replaces HKAS 1 "Presentation of Financial Statements". It carries forward many of the existing requirements in HKAS 1, with limited changes, and some HKAS 1 requirements will be moved to HKAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and HKFRS 7 "Financial Instruments: Disclosures".

HKFRS 18 will not impact the recognition and measurement of financial statements items but the presentation of them. It introduces three major new requirements, including:

- reporting newly defined subtotals (namely "operating profits" and "profits before financing and income tax"), and classifying items into five newly defined categories (namely "operating", "investing", "financing", "income tax" and "discontinued operation"), depending on the reporting entity's main business activities, in the statement of profit or loss;
- disclosure of management-defined performance measures ("MPMs") in a single note to the financial statements; and
- enhanced guidance of aggregation and disaggregation of information in the financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

3. ADOPTION OF NEW AND AMENDED HKFRS ACCOUNTING STANDARDS (Continued)

3.2 Issued but not yet effective HKFRS Accounting Standards (Continued)

HKFRS 18 “Presentation and Disclosure in Financial Statements” and related amendments to Hong Kong Interpretation 5 (Continued)

Besides, narrow-scope amendments have been made to HKAS 7 “Statement of Cash Flows”, which includes:

- using “operating profit or loss” as the starting point for indirect method for the presentation of operating cash flows purposes; and
- the option for classifying interest and dividend cash flows as operating activities is eliminated.

In addition, there are consequential amendments to several other standards.

HKFRS 18, and the amendments to the other HKFRS Accounting Standards, are effective for annual period beginning on or after 1 January 2027 and must be applied retrospectively with specific transition provisions. The Directors are currently working to identify all the impacts of HKFRS 18, particularly with respect to the structure of the Group’s consolidated statement of profit or loss, the consolidated statement of other comprehensive income, the consolidated statement of cash flows and the additional disclosures required for MPMs. The Group is also assessing the impact of how information is grouped in the consolidated financial statements, including the items currently labelled as “other”.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Judgements

In the process of applying the Group’s accounting policies, management has made the following judgements, apart from those involving estimations, which has the most significant effect on the amounts recognised in these financial statements:

Tax

Determining income tax provisions requires the Group to make judgements on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions in accordance with prevailing tax regulations and makes tax provisions accordingly.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty

Estimation of impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment loss, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value of future cash flows projections, used in the impairment test. The carrying amounts of property, plant and equipment and right-of-use assets at the reporting date are set out in notes 14 and 17 to the consolidated financial statements respectively.

Write-down of inventories

The write-down of inventories to net realisable value is made based on the estimated net realisable value of the inventories. Significant management judgements and estimates were required to determine the net realisable value of the inventories. Where the actual outcome or expectation in future is different from the original estimate, such differences will have an impact on the carrying value of the inventories and the write-down/write-back of the inventories in the period in which such estimate has been changed. During the year ended 31 December 2025, the amount of write-down of inventory provision in the statement of profit or loss was RMB45,795,000 (2024: RMB31,049,000). As at 31 December 2025, the carrying amount of the write-down of the inventories was RMB223,547,000 (2024: RMB271,352,000).

Provision for ECL allowance of trade receivables, deposits and other receivables, contract assets and amounts due from associates

The Group uses a provision matrix to calculate ECL allowance for trade receivables, deposits and other receivables, contract assets and amounts due from associates. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer type and rating). There will be different provision rates based on the type of customer.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e. gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Provision for ECL allowance of trade receivables, deposits and other receivables, contract assets and amounts due from associates (Continued)

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables, deposits and other receivables, contract assets and amounts due from associates is disclosed in note 22, 23, 24 and 31 to the financial statements, respectively.

As at 31 December 2025, the aggregate carrying amounts of trade receivables, deposits and other receivables, contract assets and amounts due from associates amounted to RMB204,658,000 (2024: RMB232,020,000) (net of ECL allowance of RMB125,592,000 (2024: RMB81,569,000)), RMB737,220,000 (2024: RMB300,669,000) (net of ECL allowance of RMB61,662,000 (2024: RMB53,912,000)), RMB1,088,000 (2024: RMB2,173,000) (net of ECL allowance of RMB692,000 (2024: RMB318,000)) and RMB1,097,412,000 (2024: RMB1,090,685,000) (net of ECL allowance of Nil (2024: Nil)), respectively.

Estimation of fair value of properties

The fair value of the properties was determined by reference to valuations conducted on these properties by an independent and professionally qualified valuer using property valuation techniques which involve certain assumptions of prevailing market conditions. Favourable or unfavourable changes to these assumptions may result in changes in the fair value of the Group's investment properties and property, plant and equipment using revaluation model was recognised in the consolidated statement of profit or loss and the consolidated statement of comprehensive income, respectively.

As at 31 December 2025, the carrying amount of investment properties and property, plant and equipment using revaluation model were RMB550,116,000 (2024: RMB601,178,000) and RMB361,200,000 (2024: RMB489,900,000), respectively. Further details, including the key assumptions used for fair value measurement and a sensitivity analysis, are given in note 14 to the financial statements.

Deferred taxation on investment properties

For investment properties located in the PRC, deferred taxes are recognised on the fair value changes of investment properties as the Group is subject to capital gain tax upon disposal of the relevant investment properties.

For the purposes of measuring deferred tax arising from investment properties that are measured using the fair value model, the directors of the Company have reviewed the Group's investment property portfolios and concluded that the Group's investment properties are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time. Therefore, in determining the deferred taxation on investment properties, the directors of the Company have determined that the presumption that the carrying amounts of investment properties measured using the fair value model are recovered entirely through sale is not rebutted.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. As at 31 December 2025, the carrying amount of goodwill at 31 December 2025 was RMB3,952,000 (2024: RMB25,052,000) (net of impairment of RMB23,856,000 (2024: RMB2,756,000)). Further details are given in note 18.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. 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) Manufacture and sale of furniture
- (b) Development properties for sales and property investments
- (c) Hotel operations
- (d) Trading of aluminium ingots and bars

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

The businesses of the Group's trading of aluminium ingots and bars segment was terminated in the current period. The carrying amounts of the assets and liabilities of trading of aluminium ingots and bars segment at the date of termination are transfer to development properties for sales and property investments segment.

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

Year ended 31 December 2025

| | Manufacture and sale of furniture RMB'000 | Development properties for sales and property investments RMB'000 | Hotel operations RMB'000 | Trading of aluminium ingots and bars RMB'000 | Total RMB'000 |
|----------------------------|--|--|---|---|--------------------------|
| Segment revenue | | | | | |
| Sale to external customers | 365,408 | 183 | 15,500 | – | 381,091 |
| Segment results | 39,525 | (85) | (20,413) | – | 19,027 |
| Segment assets | 1,095,180 | 3,025,015 | 377,680 | – | 4,497,875 |
| Segment liabilities | 431,433 | 2,789,940 | 567,432 | – | 3,788,805 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

5. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2024

| | Manufacture and sale of furniture RMB'000 | Development properties for sales and property investments RMB'000 | Hotel operations RMB'000 | Trading of aluminium ingots and bars RMB'000 | Total RMB'000 |
|----------------------------|--|--|--------------------------------|--|------------------|
| Segment revenue | | | | | |
| Sale to external customers | 505,306 | – | 15,206 | 5,095 | 525,607 |
| Segment results | 43,807 | – | (8,170) | (226) | 35,411 |
| Segment assets | 2,970,555 | 1,688,565 | 184,229 | 184,724 | 5,028,073 |
| Segment liabilities | 2,594,500 | 240,266 | 146,041 | 601,117 | 3,581,924 |

Information about a major customer

Revenue from customers which individually contributed over 10% of the Group's revenue is as follows:

| | 2025 RMB'000 | 2024 RMB'000 |
|-------------------------|-----------------|-----------------|
| Customer A ¹ | 69,585 | N/A |
| Customer B ¹ | N/A | 91,620 |

N/A: Revenue from this customer during the respective year did not exceed 10% of the Group's revenue.

¹ The revenue contributed from the above customers are derived from manufacture and sale of furniture.

Geographical information

Because the majority of the Group's revenue and non-current assets were located in PRC, no related geographical information of revenue and non-current assets is presented.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. REVENUE, OTHER INCOME AND GAINS

The Group's principal activities are disclosed in note 1 to the consolidated financial statements.

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

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| Revenue from contracts with customers | | |
| Sale of goods | 312,599 | 407,825 |
| Installation and other ancillary services | 52,992 | 102,576 |
| Hotel operation income | 15,500 | 15,206 |
| | 381,091 | 525,607 |

Revenue from contracts with customers

(i) Disaggregated revenue information

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major products and services provided:

31 December 2025

| | Manufacture and sale of furniture RMB'000 | Hotel operations RMB'000 | Trading of aluminium ingots and bars RMB'000 | Total RMB'000 |
|---|--|--------------------------------|--|------------------|
| Revenue recognised at a point in time | 312,599 | 8,186 | – | 320,785 |
| Revenue recognised over time | 52,992 | 7,314 | – | 60,306 |
| Total revenue from contracts with customers | 365,591 | 15,500 | – | 381,091 |

31 December 2024

| | Manufacture and sale of furniture RMB'000 | Hotel operations RMB'000 | Trading of aluminium ingots and bars RMB'000 | Total RMB'000 |
|---|--|--------------------------------|--|------------------|
| Revenue recognised at a point in time | 402,730 | 8,415 | 5,095 | 416,240 |
| Revenue recognised over time | 102,576 | 6,791 | – | 109,367 |
| Total revenue from contracts with customers | 505,306 | 15,206 | 5,095 | 525,607 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

6. REVENUE, OTHER INCOME AND GAINS (Continued)

Revenue from contracts with customers (Continued)

(ii) Performance obligation

The following table shows the amount of revenue recognised in the current year that was included in the contract liabilities at the beginning of the year:

| | 2025 RMB'000 | 2024 RMB'000 |
|---|-----------------|-----------------|
| Revenue recognised that was included in contract liabilities at the beginning of the year | 45,447 | 65,398 |

Other income and gains

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| Bank interest income | 103 | 5,023 |
| Interest income from an associate | 50,042 | 42,503 |
| Government grants (Note) | 3,325 | 2,189 |
| Compensation income from controlling shareholder of an associate | – | 9,467 |
| Compensation from legal cases | 480 | 4,000 |
| Foreign exchange differences, net | 6,621 | – |
| Gain from derecognition of leases upon early termination | 364 | 2,790 |
| Others | 3,452 | 2,038 |
| | 64,387 | 68,010 |

Note: The provincial government granted the Group a lump sum for investment in plant and machinery for manufacturing activities. This amount was recognised as deferred government grants and was amortised to profit or loss over 5–30 years being the estimated useful life of the system.

7. FINANCE COSTS

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| Interest on borrowings (including medium term bonds) | 66,001 | 130,461 |
| Interest on loans from related parties | 146,283 | 39,055 |
| Interest on lease liabilities | 1,299 | 2,140 |
| | 213,583 | 171,656 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

8. LOSS BEFORE INCOME TAX

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

| | 2025 RMB'000 | 2024 RMB'000 |
|---|-----------------|-----------------|
| Cost of inventories sold | 341,813 | 467,880 |
| Cost of services provided | 20,251 | 22,316 |
| Depreciation of property, plant and equipment | 43,525 | 45,162 |
| Depreciation of right-of-use assets | 19,451 | 21,672 |
| Amortisation of intangible assets | 511 | 463 |
| Expense relating to short-term leases | 1,043 | 1,122 |
| Auditor's remuneration | | |
| – Audit services | 2,200 | 2,200 |
| – Non-audit services | 1,100 | – |
| Employee benefit expense (including directors' remuneration) | | |
| – Wages and salaries | 111,075 | 126,574 |
| – Pension scheme contributions (Note) | 20,137 | 21,754 |
| | 131,212 | 148,328 |
| Provision for impairment of assets | | |
| – Impairment of goodwill (Note 18) | 21,100 | – |
| – Write-down to net realisable value for Inventories | 45,795 | 31,049 |
| | 66,895 | 31,049 |
| Provision for ECL allowance | | |
| – Trade receivables (Note 22) | 44,023 | 59,627 |
| – Other receivables (Note 23) | 7,750 | 10,203 |
| – Contract assets (Note 24) | 374 | 285 |
| | 52,147 | 70,115 |
| Write off of property, plant and equipment | 173 | 45,021 |
| Write-down to net realisable value for assets classified as held for sale | – | 4,647 |
| Loss/(Gain) arising from change in fair value of investment properties | 51,062 | (1,978) |
| Foreign exchange differences, net | (6,621) | 1,967 |
| Compensation, penalties and fines | 2,969 | 2,019 |
| Bank interest income | (103) | (5,023) |
| Interest income from an associate | (50,042) | (42,503) |
| Share of results of associates | 144,339 | 16,297 |
| Gain from derecognition of leases upon early termination | (364) | (2,790) |
| Gain on disposal of a subsidiary and an associate (Note 40) | (60,703) | – |
| Loss on deemed disposal of interest in an associate | – | 9,861 |

Note: At 31 December 2025 and 2024, the Group had no forfeited contributions for the pension schemes.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

2025

| | Other emoluments | | | | Total remuneration RMB'000 |
|---|------------------|---|--|---|-------------------------------|
| | Fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Performance related bonuses RMB'000 | Pension scheme contributions RMB'000 | |
| Executive directors: | | | | | |
| Mr. Lin Ruhai* (<i>Chief Executive</i>) | – | – | – | – | – |
| Mr. Tse Kam Pang (note i) | 160 | – | – | – | 160 |
| | 160 | – | – | – | 160 |
| Non-executive directors: | | | | | |
| Mr. Wu Zhongming* | – | – | – | – | – |
| Mr. Tao Ying | – | 339 | – | 138 | 477 |
| Mr. Yao Jingming* (note ii) | – | – | – | – | – |
| Ms. Yang Ying | – | 348 | – | 138 | 486 |
| Mr. Yan Weihao* (note iii) | – | – | – | – | – |
| | – | 687 | – | 276 | 963 |
| Independent non-executive directors: | | | | | |
| Mr. Lau Chi Kit | 220 | – | – | – | 220 |
| Mr. Yue Man Yiu Matthew | 220 | – | – | – | 220 |
| Mr. Chan Wing Tak Kevin | 220 | – | – | – | 220 |
| | 660 | – | – | – | 660 |
| | 820 | 687 | – | 276 | 1,783 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

2024

| | Fees RMB'000 | Salaries, allowances and benefits in kind RMB'000 | Performance related bonuses RMB'000 | Pension scheme contributions RMB'000 | Total remuneration RMB'000 |
|---|-----------------|---|--|---|----------------------------------|
| Executive directors: | | | | | |
| Mr. Lin Ruhai* (<i>Chief Executive</i>) | – | – | – | – | – |
| Mr. Tse Kam Pang (note i) | 274 | 2,013 | – | – | 2,287 |
| | 274 | 2,013 | – | – | 2,287 |
| Non-executive directors: | | | | | |
| Mr. Wu Zhongming* | – | – | – | – | – |
| Mr. Tao Ying | – | 282 | – | 97 | 379 |
| Mr. Yao Jingming* (note ii) | – | – | – | – | – |
| Ms. Yang Ying | – | 266 | – | 96 | 362 |
| | – | 548 | – | 193 | 741 |
| Independent non-executive directors: | | | | | |
| Mr. Lau Chi Kit | 219 | – | – | – | 219 |
| Mr. Yue Man Yiu Matthew | 219 | – | – | – | 219 |
| Mr. Chan Wing Tak Kevin | 219 | – | – | – | 219 |
| | 657 | – | – | – | 657 |
| | 931 | 2,561 | – | 193 | 3,685 |

* During the year, three of directors have agreed not to receive any directors' remuneration (2024: three).

Notes:

- (i) Mr. Tse Kam Pang is resigned from executive directors with effect from 4 August 2025.
- (ii) Mr. Yao Jingming is resigned from non-executive directors with effect from 19 February 2025.
- (iii) Mr. Yan Weihao is appointed as non-executive directors with effect from 19 February 2025.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

No emoluments were paid by the Group to any directors as an inducement to join or upon joining the Group or as compensation for loss of office during the year ended 31 December 2025 (2024: Nil).

There were no arrangements under which a director waived or agreed to waive any remuneration during the year ended 31 December 2025 (2024: Nil).

There are no loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate of directors and connected entities of directors, and no guarantee or security provided to directors, controlled bodies corporate of directors and connected entities of directors during the year ended 31 December 2025 (2024: Nil).

10. FIVE HIGHEST PAID INDIVIDUALS' EMOLUMENTS

The five highest paid individuals during the year included Nil (2024: one) director, details of whose remuneration are set out in note 9 above. Details of the remuneration for the year of the remaining five (2024: four) highest paid employees who are neither a director nor chief executive of the Company for the year are as follows:

| | 2025 RMB'000 | 2024 RMB'000 |
|---|-----------------|-----------------|
| Salaries, allowances and benefits in kind | 3,617 | 4,839 |
| Pension scheme contributions | 259 | 228 |
| | 3,876 | 5,067 |

The number of the non-director highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|--------------------------------|---------------------|----------|
| | 2025 | 2024 |
| HK\$500,000 to HK\$1,000,000 | 4 | 1 |
| HK\$1,000,001 to HK\$1,500,000 | 1 | 2 |
| HK\$1,500,001 to HK\$2,000,000 | – | – |
| HK\$2,000,001 to HK\$2,500,000 | – | 1 |
| | 5 | 4 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

11. INCOME TAX EXPENSE/(CREDIT)

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year (2024: Nil). The general Corporate Income Tax rate in the PRC is 25% (2024: 25%).

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| PRC Corporate Income Tax | | |
| – Current tax | 9,148 | 8,639 |
| – Adjustment in respect of current tax of previous periods | 9,983 | (40,653) |
| Deferred tax expense | (16,802) | (51,253) |
| Total income tax expense/(credit) for the year | 2,329 | (83,267) |

Reconciliation between tax expense/(credit) and accounting loss at applicable tax rates is as follow:

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| Loss before tax | (614,340) | (431,573) |
| Tax at the applicable tax rate at 25% (2024: 25%) | (153,585) | (107,893) |
| Differences in tax rate | (666) | 6,455 |
| Tax effect of share of result of associates | 36,085 | 4,074 |
| Adjustments in respect of current tax of previous periods | 9,983 | (40,653) |
| Expenses not deductible for tax purposes | 674 | 448 |
| Tax effect of tax losses/deductible temporary differences not recognised | 107,394 | 87,388 |
| Utilisation of tax losses/deductible temporary differences previously not recognised | – | (33,086) |
| Withholding tax of dividend from an associate | 2,444 | – |
| Tax expense/(credit) at the Group's effective rate | 2,329 | (83,267) |

The Group has aggregate tax losses arising in Hong Kong of RMB148,429,000 (2024: RMB119,109,000) that are available for offsetting against future taxable profits of the companies in which the losses arose. The Group has aggregate tax losses arising in PRC of RMB224,708,000 (2024: RMB531,982,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time. Apart from the above, there were no significant unrecognised deferred tax assets as at 31 December 2025.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

12. DIVIDENDS

No dividend has been declared and paid by the Company during the year ended 31 December 2025 (2024: Nil).

13. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amount is based on the loss for the year attributable to owners of the Company, and the weighted average number of ordinary shares in issue less shares held under share award scheme during the year of 2,477,871,326 (2024: 2,477,871,326).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2025 and 2024. The calculations of basic and diluted loss per share are based on:

| | 2025 RMB'000 | 2024 RMB'000 |
|--|------------------|-----------------|
| Loss | | |
| Loss attributable to owners of the Company | (602,796) | (334,391) |

| | Number of shares | |
|--|----------------------|---------------|
| | 2025 | 2024 |
| Shares | | |
| Weighted average number of ordinary shares in issue less shares held under share award scheme during the year used in the basic and diluted loss per share calculation | 2,477,871,326 | 2,477,871,326 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT

31 December 2025

| | Buildings RMB'000 | Leasehold improvements RMB'000 | Plant and machinery RMB'000 | Furniture, fixtures and office equipment RMB'000 | Motor vehicles and others RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|----------------------|--------------------------------------|-----------------------------------|--|--|--|------------------|
| At 1 January 2025: | | | | | | | |
| Cost or valuation | 654,171 | 108,489 | 209,109 | 15,722 | 9,074 | 21,185 | 1,017,750 |
| Accumulated depreciation | (72,602) | (69,201) | (138,491) | (13,891) | (7,893) | - | (302,078) |
| Net carrying amount | 581,569 | 39,288 | 70,618 | 1,831 | 1,181 | 21,185 | 715,672 |
| At 1 January 2024, net of accumulated depreciation | 581,569 | 39,288 | 70,618 | 1,831 | 1,181 | 21,185 | 715,672 |
| Additions | - | - | 1,038 | 165 | - | 9,544 | 10,747 |
| Deficit on revaluation | (106,432) | - | - | - | - | - | (106,432) |
| Written off | - | - | (168) | (5) | - | - | (173) |
| Disposal of a subsidiary | (54,873) | - | - | - | - | (30,729) | (85,602) |
| Depreciation provided during the year | (17,061) | (8,870) | (16,846) | (337) | (411) | - | (43,525) |
| Exchange realignment | - | - | - | - | (6) | - | (6) |
| At 31 December 2025, net of accumulated depreciation | 403,203 | 30,418 | 54,642 | 1,654 | 764 | - | 490,681 |
| At 31 December 2025: | | | | | | | |
| Cost or valuation | 487,143 | 108,489 | 207,299 | 15,355 | 8,364 | - | 826,650 |
| Accumulated depreciation | (83,940) | (78,071) | (152,657) | (13,701) | (7,600) | - | (335,969) |
| Net carrying amount | 403,203 | 30,418 | 54,642 | 1,654 | 764 | - | 490,681 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

31 December 2024

| | Buildings RMB'000 | Leasehold improvements RMB'000 | Plant and machinery RMB'000 | Furniture, fixtures and office equipment RMB'000 | Motor vehicles and others RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|----------------------|--------------------------------------|-----------------------------------|--|--|--|------------------|
| At 1 January 2024: | | | | | | | |
| Cost or valuation | 648,710 | 216,530 | 208,756 | 15,592 | 10,244 | 18,425 | 1,118,257 |
| Accumulated depreciation | (53,664) | (123,466) | (122,072) | (13,355) | (8,557) | - | (321,114) |
| Net carrying amount | 595,046 | 93,064 | 86,684 | 2,237 | 1,687 | 18,425 | 797,143 |
| At 1 January 2024, net of accumulated depreciation | | | | | | | |
| Additions | - | - | 353 | 130 | 3 | 2,760 | 3,246 |
| Surplus on revaluation | 5,461 | - | - | - | - | - | 5,461 |
| Written off | - | (44,968) | - | - | (53) | - | (45,021) |
| Depreciation provided during the year | (18,938) | (8,808) | (16,419) | (536) | (461) | - | (45,162) |
| Exchange realignment | - | - | - | - | 5 | - | 5 |
| At 31 December 2024, net of accumulated depreciation | | | | | | | |
| | 581,569 | 39,288 | 70,618 | 1,831 | 1,181 | 21,185 | 715,672 |
| At 31 December 2024: | | | | | | | |
| Cost or valuation | 654,171 | 108,489 | 209,109 | 15,722 | 9,074 | 21,185 | 1,017,750 |
| Accumulated depreciation | (72,602) | (69,201) | (138,491) | (13,891) | (7,893) | - | (302,078) |
| Net carrying amount | 581,569 | 39,288 | 70,618 | 1,831 | 1,181 | 21,185 | 715,672 |

The Group's certain buildings and certain machinery in the PRC with carrying amounts of RMB361,200,000 (2024: RMB546,794,000) and RMB14,055,000 (2024: RMB19,986,000) respectively have been pledged to secure borrowings (note 29).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement

The following table shows the Group's building held for own use and investment properties measured at fair value in the consolidated statement of financial position on a recurring basis, categorised into three levels of a fair value hierarchy. The levels are based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: significant unobservable inputs for the asset or liability.

| | 2025 | 2024 |
|---|----------------|---------|
| | Level 3 | Level 3 |
| | RMB'000 | RMB'000 |
| Fair value on a recurring basis | | |
| Building held for own use | | |
| – Hotel located outside Hong Kong | 361,200 | 489,900 |
| Investment properties | | |
| – Industrial properties located outside Hong Kong | 550,116 | 601,178 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 (2024: Nil).

The Group's hotel located in the PRC were revalued by an independent valuer, Kroll (HK) Limited (2024: Stern Appraisal Limited). Surplus on revaluation on hotel is recognised in "Property revaluation reserve" in the consolidated statement of other comprehensive income.

The Group's investment properties include two industrial properties located in the PRC, which were revalued by an independent valuer, Guangdong Guozheng Land Real Estate Appraisal and Surveying Co., Ltd. (廣東南粵房地產土地資產評估與規劃測繪有限公司) (2024: Guangdong Guozheng Land Real Estate Appraisal and Surveying Co., Ltd. (廣東國政土地房地產評估測繪有限公司)). Fair value adjustments in investment properties are included in "Other income and gains" in the consolidated statement of profit or loss.

Each year, the Group's property manager and the chief financial officer decide to appoint which external valuer to be responsible for the external valuations of the Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The Group's property manager and the chief financial officer have discussions with the valuer on the valuation assumptions and valuation results each year when the valuation is performed for annual financial reporting.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

14. PROPERTY, PLANT AND EQUIPMENT (Continued)

Fair value measurement (Continued)

Below is a summary of the valuation technique used and the key inputs to the valuation of hotel and investment properties categorised under Level 3 fair value hierarchy:

| | Valuation technique | Significant unobservable inputs | Range 2025 | Range 2024 |
|-----------------------|-------------------------------------|--|-------------------------|-----------------|
| Hotel | Market comparison approach (note a) | Discount on characteristics of the property | -15.3% to -22.7% | -10.0% to 15.0% |
| Industrial properties | Income approach (note b) | Estimated rental value (per sq.m. per month) | RMB13 to RMB18 | RMB11 to RMB13 |
| | | Rent growth (p.a.) | 3.0% | 3.5% |
| | | Long term vacancy rate | 5.0% | 3.0% |
| | | Discount rate | 5.5% | 3.0% to 4.0% |
| | Market comparison approach (note c) | Discount on characteristics of the property | N/A | 2.5% to 6% |

Notes:

- (a) The fair value of investment properties was carried out using a market comparison approach that reflects observed prices for recent market transactions for similar properties and incorporates adjustments for factors specific to the properties, including plot size, location, encumbrances and current use.

The significant unobservable input is the premium/discount on quality of the buildings. The extent and direction of the premium/discount depends on the number and characteristics of the observable market transactions in similar properties that are used as the starting point for valuation. Although this input is a subjective judgement, management considers that the overall valuation would not be materially affected by reasonably possible alternative assumptions. Generally, an increase in premium/discount on the quality of the buildings would result in a higher/lower fair value measurement.

- (b) The fair values of the investment properties are estimated using an income approach which capitalises the estimated rental income stream, net of projected operating costs, using a discount rate derived from market yields implied by recent transactions in similar properties. When actual rent differs materially from the estimated rents, adjustments have been made to the estimated rental value. The estimated rental stream takes into account current occupancy level, estimates of future vacancy levels, the terms of in-place leases and expectations for rentals from future leases over the remaining economic life of the buildings.

The most significant inputs, all of which are unobservable, are the estimated rental value, assumptions about vacancy levels, and discount rate. The estimated fair value increases if the estimated rental increases, vacancy levels decline or if discount rate (market yields) decline. The overall valuations are sensitive to all three assumptions. Management considers the range of reasonably possible alternative assumptions is greatest for rental values and vacancy levels and that there is also an interrelationship between these inputs.

- (c) The valuation techniques have been changed from market comparison approach to income approach as the management of the Company considered that there were limited market comparables for similar properties that were appropriate to assess the fair value of the properties for the year ended 31 December 2025.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

15. INVESTMENT PROPERTIES

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| At 1 January | 601,178 | 599,200 |
| (Loss)/gain arising from change in fair value of investment properties | (51,062) | 1,978 |
| At 31 December | 550,116 | 601,178 |

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 17 to the financial statements.

Details of the fair value measurements of the investment properties are set out in note 14.

16. INTANGIBLE ASSETS

31 December 2025

| | Patents, licences and software RMB'000 | Customer relationships RMB'000 | Total RMB'000 |
|---|---|--------------------------------------|------------------|
| At 1 January 2025 | | | |
| Cost | 10,141 | 12,194 | 22,335 |
| Accumulated amortisation | (8,085) | (12,194) | (20,279) |
| Net carrying amount | 2,056 | – | 2,056 |
| Cost at 1 January 2025, net of accumulated amortisation | 2,056 | – | 2,056 |
| Addition | 764 | – | 764 |
| Amortisation provided during the year | (511) | – | (511) |
| Cost at 31 December 2025, net of accumulated amortisation | 2,309 | – | 2,309 |
| At 31 December 2025 | | | |
| Cost | 9,086 | 12,194 | 21,280 |
| Accumulated amortisation | (6,777) | (12,194) | (18,971) |
| Net carrying amount | 2,309 | – | 2,309 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

16. INTANGIBLE ASSETS (Continued)

31 December 2024

| | Patents, licences and software RMB'000 | Customer relationships RMB'000 | Total RMB'000 |
|---|---|--------------------------------------|------------------|
| At 1 January 2024 | | | |
| Cost | 8,322 | 12,194 | 20,516 |
| Accumulated amortisation | (7,622) | (12,194) | (19,816) |
| Net carrying amount | 700 | – | 700 |
| Cost at 1 January 2024, net of accumulated amortisation | 700 | – | 700 |
| Addition | 1,819 | – | 1,819 |
| Amortisation provided during the year | (463) | – | (463) |
| Cost at 31 December 2024, net of accumulated amortisation | 2,056 | – | 2,056 |
| At 31 December 2024 | | | |
| Cost | 10,141 | 12,194 | 22,335 |
| Accumulated amortisation | (8,085) | (12,194) | (20,279) |
| Net carrying amount | 2,056 | – | 2,056 |

The amortisation charge for the year is included in “Administrative expenses” in the consolidated statement of profit or loss.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. LEASES

The Group as a lessee

Lump sum payments were made upfront to acquire the leased land from the owners with lease periods of 38 to 50 years (2024: 38 to 50 years), and no ongoing payments will be made under the terms of these land leases.

The Group has lease contracts for buildings and a motor vehicle for different uses in its operations. Leases of buildings and motor vehicle generally have lease terms between 2.0 to 14.5 years (2024: 1.5 to 14.5 years).

(a) Right-of-use assets

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

| | Leasehold land RMB'000 | Buildings RMB'000 | Motor vehicle RMB'000 | Total RMB'000 |
|---|--------------------------------------|-----------------------------|-------------------------------------|-------------------------|
| As at 1 January 2024 | 243,201 | 42,288 | 751 | 286,240 |
| Addition | – | 18,174 | – | 18,174 |
| Termination | – | (24,475) | – | (24,475) |
| Modification | – | 1,585 | – | 1,585 |
| Depreciation charge | (8,890) | (12,148) | (634) | (21,672) |
| Exchange realignment | – | (5) | 4 | (1) |
| At 31 December 2024 and 1 January 2025 | 234,311 | 25,419 | 121 | 259,851 |
| Addition | – | 8,262 | – | 8,262 |
| Termination | – | (3,620) | – | (3,620) |
| Modification | – | (880) | – | (880) |
| Disposal of a subsidiary (note 40) | (28,661) | – | – | (28,661) |
| Depreciation charge | (8,808) | (10,523) | (120) | (19,451) |
| Exchange realignment | – | (20) | (1) | (21) |
| As at 31 December 2025 | 196,842 | 18,638 | – | 215,480 |

The Group's right-of-use asset with carrying amounts of RMB13,839,000 (2024: RMB17,852,000) have been pledged to secure borrowings (note 29).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The following table shows the remaining contractual maturities of the Group's lease liabilities:

| | 2025 RMB'000 | 2024 RMB'000 |
|---|-------------------------|-----------------|
| Total minimum lease payments: | | |
| Due within one year | 9,844 | 11,029 |
| Due in the second to fifth year | 9,695 | 17,091 |
| Due after the fifth year | 3,369 | 4,727 |
| | 22,908 | 32,847 |
| Future finance charges on leases liabilities | (2,348) | (3,725) |
| Present value of leases liabilities | 20,560 | 29,122 |
| | 2025 RMB'000 | 2024 RMB'000 |
| Present value of minimum lease payments: | | |
| Due within one year | 8,980 | 9,656 |
| Due in the second to fifth year | 8,460 | 15,238 |
| Due after the fifth year | 3,120 | 4,228 |
| | 20,560 | 29,122 |
| Less: | | |
| Portion due within one year included under current liabilities | (8,980) | (9,656) |
| Portion due after one year included under non-current liabilities | 11,580 | 19,466 |

As at 31 December 2025, lease liabilities amounting to RMB20,560,000 (2024: RMB29,122,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2025, the total cash outflows for the leases are RMB13,238,000 (2024: RMB13,182,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities (Continued)

Details of the lease activities

As at 31 December 2025 and 2024, the Group has entered into leases for warehouses, factories and office premises.

| Types of right-of-use assets | Financial statements items of right-of-use assets included in | Number of leases | Range of remaining lease term | Particulars |
|------------------------------|---|------------------|---|---|
| Warehouses | Right-of-use assets | 2 (2024: 7) | 1.5 years (2024: 0.17 to 2.4 years) | <p>Certain contracts contain an option to renew the lease for additional years after the end of the contract by giving notice to landlord before the end of the contract</p> <p>Leases subject to monthly/quarterly/annually rental payment</p> |
| Factories | Right-of-use assets | 3 (2024: 2) | 1.2 to 7.7 years (2024: 2.4 to 8.7 years) | <p>Certain contracts contain an option to renew the lease for additional years after the end of the contract by giving notice to landlord before the end of the contract</p> <p>Leases subject to monthly/quarterly/annually rental payment</p> |
| Office premises | Right-of-use assets | 4 (2024: 1) | 0.5 to 2.7 years (2024: 1.5 years) | <p>Certain contracts contain an option to renew the lease for additional years after the end of the contract by giving notice to landlord before the end of the contract</p> <p>Leases subject to monthly/quarterly/annually rental payment</p> |

The Group considered that no extension option or termination option would be exercised at the lease commencement date.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

17. LEASES (Continued)

The Group as a lessee (Continued)

(c) The amounts recognised in profit or loss in relation to leases are as follows:

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| Interest on lease liabilities | 1,299 | 2,140 |
| Depreciation charge of right-of-use assets | 19,451 | 21,672 |
| Expense relating to short-term leases | 1,043 | 1,122 |
| Total amount recognised in profit or loss | 21,793 | 24,934 |

(d) The total cash outflows for leases are disclosed in note 36 to the financial statements.

The Group as a lessor

The Group leases its investment properties (note 15) under operating lease arrangements, with leases negotiated for terms within one year. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

18. GOODWILL

| | 2025 RMB'000 | 2024 RMB'000 |
|------------------------------------|-----------------|-----------------|
| At the beginning of year | | |
| Cost | 27,808 | 27,808 |
| Accumulated impairment | (2,756) | (2,756) |
| | 25,052 | 25,052 |
| Net carrying amount at 1 January | 25,052 | 25,052 |
| Impairment during the year | (21,100) | – |
| Net carrying amount at 31 December | 3,952 | 25,052 |
| At end of year | | |
| Cost | 27,808 | 27,808 |
| Accumulated impairment | (23,856) | (2,756) |
| | 3,952 | 25,052 |

Impairment testing of goodwill

Goodwill acquired through business combinations is related to one of the sales of foam cash-generating units for impairment testing.

The recoverable amount of the sales of foam cash-generating unit (the “CGU”) is determined based on a value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets of the CGUs approved by management covering a five-year period. The discount rate applied to the cash flow projections is 13.0% (2024: 15.4%) and cash flows beyond the five-year period were extrapolated using a industrial growth rate of 8% (2024: 6%).

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rate – The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions are consistent with external information sources.

During the year ended 31 December 2025, the recoverable amount of the CGU was reduced to RMB4,649,000 and accordingly, and impairment of goodwill with amount of RMB21,100,000 was made during the year.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. INVESTMENTS IN ASSOCIATES

| | 2025 RMB'000 | 2024 RMB'000 |
|---|------------------|-----------------|
| Cost of investments in associates | 922,000 | 997,000 |
| Share of post-acquisition (loss)/profit and other comprehensive (loss)/income, net of dividends received | (227,674) | 221,960 |
| Goodwill on acquisition | 15,667 | 29,678 |
| Deemed capital contribution | | |
| – Interest-free loans (Note) | 39,949 | – |
| | 749,942 | 1,248,638 |
| Amounts due from associates (Note) | 1,097,412 | 1,090,685 |

Note: As at 31 December 2025, the amounts due from associates amounting to RMB1,097,412,000 are unsecured, repayable on demand and expected to be settled beyond one year (2024: RMB1,090,685,000 are unsecured and repayable on demand or expected to be settled within one year). Except for principle of RMB329,401,000 (2024: RMB331,428,000), which is interest-free, the remaining balances bear interest at rates ranging from 8% to 12.5% per annum (2024: 8% to 12.5% per annum).

At the end of the reporting period, the carrying amounts of non-interest bearing portion of RMB284,748,000 (2024: RMB331,428,000) is determined based on the present value of future cash flows discounted using an effective interest rate of 8% (2024: N/A). It is expected that the amounts will be repayable in 2 years. The corresponding adjustment in relation to the imputed interests on the non-interest bearing amounts due from associates is recognised against the interests in the associates, as part of the net investments. All the amounts are not expected to be repaid within one year and are therefore classified as non-current.

The Group's trade receivables with associates are disclosed in note 39(b) to the consolidated financial statements.

Particulars of the material associates are as follows:

| Name of associates | Country/place of incorporation/ registration and business | Issued and fully paid share capital | Percentage of ownership Interest held | | Principal activity |
|---|--|--|--|---------------------|--------------------|
| | | | 2025 | 2024 | |
| Guangzhou Gangke Real Estate Co., Ltd.* ("Gangke") 廣州港科置業有限公司 | PRC | RMB2,000,000,000 | 40% | 40% | Real estate |
| Science City (Guangzhou) Financial Leasing Co., Ltd. ("Financial Leasing") 科學城(廣州)融資租賃有限公司 | PRC | RMB1,800,000,000 | N/A ² | 18.06% ² | Financial leasing |
| Sky Walk Limited ("Sky Walk") 天行有限公司 | BVI/Hong Kong | USD10,000 | 42.42% | 42.42% | Investment |
| Guangzhou Fu Yue Design Company Limited* ("Fuyue Design") 廣州富悅設計有限公司 | PRC | RMB300,000 | 50% ¹ | 50% ¹ | Design services |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. INVESTMENTS IN ASSOCIATES (Continued)

| Name of associates | Country/place of incorporation/ registration and business | Issued and fully paid share capital | Percentage of ownership Interest held | | Principal activity |
|--|---|--|--|------------------|-----------------------------------|
| | | | 2025 | 2024 | |
| Guangzhou Technology and Innovation Ruixiang No. One Venture Investment Fund Partnership Enterprise (Limited Partnership) ("Ruixiang") 廣州科創瑞祥壹號創業投資基金合夥企業(有限合夥) | PRC | RMB240,000,000 | 15.42% | 15.42% | Investment |
| Zhicheng (Guangzhou) Design and Decoration Engineering Co., Ltd. ("Zhicheng") 知城(廣州)設計裝修工程有限公司 | PRC | RMB50,000,000 | 30% | 30% | Building decoration |
| Dongma (Guangzhou free trade zone) Grease Chemical Co., Ltd. ("Dongma") 東馬(廣州保稅區)油脂化工有限公司 (「東馬」) | PRC | RMB128,293,704 | N/A ³ | 25% ³ | Chemical product manufacturing |

The English names of certain of the above companies represent the best effort made by the directors of the Company to directly translate their Chinese names as they do not register any official English names.

Notes:

- The Group directly obtained a 50% equity interest in Fuyue Design. The Group considers that it could only exercise significant influence in the strategic financial and operating policy decisions of Fuyue Design after the injection even though it directly owns 50% of the equity interest in Fuyue Design because the Group owns less than 50% of the voting rights and can only exercise significant influence over Fuyue Design.
- During the year ended 31 December 2025, the Group's 18.06% equity interest in Financial Leasing was disposed to Science City (Note 40).

During the year ended 31 December 2024, the Group's equity interest in Financial Leasing was diluted from 25.00% to 18.06% by capital injection from an existing shareholder of Financial Leasing. Therefore, the investment in Financial Leasing was deemed disposed, resulted in a loss on deemed disposal of interests in an associate of RMB9,861,000 recognised in the consolidated statement of profit or loss for the year ended 31 December 2024. The Group is entitled to appoint one of Financial Leasing's board of directors out of a total of three. The management has assessed the Group's involvement in Financial Leasing and concluded that it has significant influence over Financial Leasing.

- In 2024, Guangzhou Yuyuan Real Estate Development Co., Ltd. 廣州御園地產發展有限公司 ("Yuyuan Real Estate"), an indirect wholly-owned subsidiary of the Company intended to dispose the investment in Dongma and was taking necessary and appropriate step to realise the disposal within the next twelve months. Accordingly, the investment of Dongma was reclassified as assets classified as held for sale during the year ended 31 December 2024 (Note 26). During the year ended 31 December 2025, the disposal of Dongma was completed.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. INVESTMENTS IN ASSOCIATES (Continued)

Set out below are the summarised financial information of each of the material associates which are accounted for using the equity method:

2025

| | Gangke RMB'000 | Financial Leasing RMB'000 | Sky Walk RMB'000 | Fuyue Design RMB'000 | Total RMB'000 |
|--|-------------------|---------------------------------|---------------------|----------------------------|------------------|
| Current assets | 4,566,373 | N/A | 276,399 | 3 | 4,842,775 |
| Non-current assets | 1 | N/A | 4,280 | 100,174 | 104,455 |
| Current liabilities | 214,376 | N/A | 25,328 | 591 | 240,295 |
| Non-current liabilities | 2,786,267 | N/A | – | – | 2,786,267 |
| Net assets | 1,565,731 | N/A | 255,351 | 99,586 | 1,920,668 |
| Reconciliation to the Group's interest in the associate: | | | | | |
| Proportion of the Group's ownership | 40% | N/A | 42.42% | 50% | |
| Group's share of net assets of the associate, excluding goodwill | 626,292 | N/A | 107,247 | 49,793 | 783,332 |
| Elimination of unrealised profits and loss on downstream transactions | (89,997) | N/A | – | – | (89,997) |
| Goodwill on acquisition | – | N/A | – | 15,667 | 15,667 |
| Carrying amount of the investment | 536,295 | N/A | 107,247 | 65,460 | 709,002 |
| Revenue | 73,444 | 439,193 | – | – | 512,637 |
| (Loss)/Profit and total comprehensive (loss)/income for the year | (403,701) | 94,003 | (39) | (4,837) | (314,574) |
| Share of the associates' (loss)/profit for the year | (161,480) | 16,977* | (17) | (2,418) | (146,938) |
| Dividends received | – | (24,335) | – | – | (24,335) |

* The Group shared 18.06% of profit amounting to RMB16,977,000 for period from January to December 2025 before the disposal of the entire interests.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

19. INVESTMENTS IN ASSOCIATES (Continued)

2024

| | Gangke RMB'000 | Financial Leasing RMB'000 | Sky Walk RMB'000 | Fuyue Design RMB'000 | Total RMB'000 |
|--|-------------------|---------------------------------|---------------------|----------------------------|------------------|
| Current assets | 4,827,300 | 5,478,847 | 276,438 | 4 | 10,582,589 |
| Non-current assets | 1 | 2,500,967 | 4,280 | 104,883 | 2,610,131 |
| Current liabilities | 2,416,039 | 2,740,616 | 25,328 | 464 | 5,182,447 |
| Non-current liabilities | 541,700 | 3,308,505 | – | – | 3,850,205 |
| Net assets | 1,869,562 | 1,930,693 | 255,390 | 104,423 | 4,160,068 |
| Reconciliation to the Group's interest in the associate: | | | | | |
| Proportion of the Group's ownership | 40% | 18.06% | 42.42% | 50% | |
| Group's share of net assets of the associate, excluding goodwill | 747,825 | 348,683 | 107,264 | 52,212 | 1,255,984 |
| Elimination of unrealised profits and loss on downstream transactions | (74,967) | – | – | – | (74,967) |
| Goodwill on acquisition | – | 13,588 | – | 15,667 | 29,255 |
| Carrying amount of the investment | 672,858 | 362,271 | 107,264 | 67,879 | 1,210,272 |
| Revenue | 1,103 | 406,687 | – | – | 407,790 |
| (Loss)/Profit and total comprehensive (loss)/profit for the year | (55,122) | 55,703 | (88) | (4,837) | (4,344) |
| Share of the associates' (loss)/ profit for the year | (22,049) | 13,926* | (37) | (2,418) | (10,578) |
| Dividends received | – | (22,877) | (63) | – | (22,940) |

* The Group shared 25% of loss amounting to RMB13,926,000 for period from January to December 2024 before deemed disposal of interests.

The following table illustrates the financial information of the Group's associates that are not individually material:

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| Share of the associates' profit/(loss) for the year | 2,572 | (78) |
| Share of the associates' total comprehensive income/(loss) | 2,572 | (78) |
| Carrying amount of the Group's investments in the associates | 40,940 | 38,366 |



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For the year ended 31 December 2025

20. DEFERRED TAX

The movement during the year in the deferred tax liabilities/(assets) is as follows:

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| At 1 January | 76,096 | 125,984 |
| Credited to income tax expense (note 11) | (16,802) | (51,253) |
| (Credited)/Charged to other comprehensive income | (26,608) | 1,365 |
| At 31 December | 32,686 | 76,096 |

The movement in deferred tax liabilities/(assets) (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

Deferred tax liabilities

| | Revaluation of properties RMB'000 | Right-of- use assets RMB'000 | Resumption of land use rights RMB'000 | Fair value adjustments of financial assets at fair value through profit or loss RMB'000 | Total RMB'000 |
|--|---|------------------------------------|--|--|------------------|
| Gross deferred tax liabilities at 1 January 2024 | 79,592 | 10,647 | 68,215 | 1,872 | 160,326 |
| Deferred tax charged/(credited) to the statement of profit or loss during the year | 24,759 | (4,644) | (53,135) | (667) | (33,687) |
| Deferred tax charged to other comprehensive income during the year | 1,365 | - | - | - | 1,365 |
| Gross deferred tax liabilities at 31 December 2024 | 105,716 | 6,003 | 15,080 | 1,205 | 128,004 |
| Deferred tax credited to the statement of profit or loss during the year | (26,114) | (1,458) | (1,012) | (1,205) | (29,789) |
| Deferred tax credited to other comprehensive income during the year | (23,835) | - | - | - | (23,835) |
| Gross deferred tax liabilities at 31 December 2025 | 55,767 | 4,545 | 14,068 | - | 74,380 |



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For the year ended 31 December 2025

20. DEFERRED TAX (Continued)

Deferred tax assets

| | Unrealised profits RMB'000 | Revaluation of properties RMB'000 | Provision RMB'000 | Lease liabilities RMB'000 | Others RMB'000 | Total RMB'000 |
|--|----------------------------------|---|----------------------|---------------------------------|-------------------|------------------|
| At 1 January 2024 | 17,125 | - | 5,399 | 11,818 | - | 34,342 |
| Deferred tax (charged)/credited to the statement of profit or loss during the year | 229 | - | 19,315 | (4,913) | 2,935 | 17,566 |
| Gross deferred tax assets at 31 December 2024 | 17,354 | - | 24,714 | 6,905 | 2,935 | 51,908 |
| Deferred tax (charged)/credited to the statement of profit or loss during the year | (12,822) | - | 1,699 | (1,864) | - | (12,987) |
| Deferred tax credited to other comprehensive income during the year | - | 2,773 | - | - | - | 2,773 |
| Gross deferred tax assets at 31 December 2025 | 4,532 | 2,773 | 26,413 | 5,041 | 2,935 | 41,694 |

The amounts recognised in the consolidated statement of financial position are as follows:

| | 2025 RMB'000 | 2024 RMB'000 |
|--------------------------|-----------------|-----------------|
| Deferred tax assets | (37,245) | (46,000) |
| Deferred tax liabilities | 69,931 | 122,096 |
| | 32,686 | 76,096 |

At 31 December 2025, deferred tax liabilities of RMB14,625,000 (2024: RMB19,829,000) have not been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amount of temporary differences associated with investments in subsidiaries in PRC for which deferred tax liabilities have not been recognised approximately RMB146,253,000 at 31 December 2025 (2024: RMB198,290,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

21. INVENTORIES

| | 2025 RMB'000 | 2024 RMB'000 |
|------------------|-----------------|-----------------|
| Raw materials | 82,125 | 89,660 |
| Work in progress | 2,895 | 6,386 |
| Finished goods | 138,527 | 175,306 |
| | 223,547 | 271,352 |

The Group manufactures and sells furniture and is subject to changing consumer demands. The management assess write-down of inventories to net realisable value based the ageing of the balances, type of furniture, forecasted inventory usage or sales and any other available information.

The analysis of the inventories recognised as expenses included in profit or loss during the year ended 31 December 2025 are set out in note 8.

22. TRADE RECEIVABLES

| | 2025 RMB'000 | 2024 RMB'000 |
|--------------------------------|------------------|-----------------|
| Trade receivables | | |
| – Third parties | 302,746 | 278,902 |
| – Related parties (Note 39(b)) | 27,504 | 34,687 |
| | 330,250 | 313,589 |
| Less: ECL allowance | (125,592) | (81,569) |
| Trade receivables, net | 204,658 | 232,020 |

The directors of the Group consider that the fair values of trade receivables are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

Trade receivables are mainly from sales of furniture and hotel operations. 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 (2024: 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, 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

22. TRADE RECEIVABLES (Continued)

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of ECL allowance, is as follows:

| | 2025 RMB'000 | 2024 RMB'000 |
|---------------|-----------------|-----------------|
| Within 1 year | 157,287 | 146,007 |
| 1 to 2 years | 15,206 | 44,320 |
| Over 2 years | 32,165 | 41,693 |
| | 204,658 | 232,020 |

The movements in ECL allowance for impairment of trade receivables are as follows:

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| At 1 January | 81,569 | 21,942 |
| ECL allowance recognised during the year | 44,023 | 59,627 |
| At 31 December | 125,592 | 81,569 |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. customer type and rating). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

| | Ageing | | | Total |
|----------------------------------|---------------------|-----------------|-----------------|---------|
| | Less than 1 year | 1 to 2 years | Over 2 years | |
| As at 31 December 2025 | | | | |
| Expected credit loss rate | 3.38% | 16.68% | 78.44% | 38.03% |
| Gross carrying amount (RMB'000) | 162,790 | 18,251 | 149,209 | 330,250 |
| Expected credit losses (RMB'000) | 5,503 | 3,045 | 117,044 | 125,592 |
| As at 31 December 2024 | | | | |
| Expected credit loss rate | 4.61% | 43.62% | 49.10% | 26.01% |
| Gross carrying amount (RMB'000) | 153,067 | 78,606 | 81,916 | 313,589 |
| Expected credit losses (RMB'000) | 7,060 | 34,285 | 40,224 | 81,569 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

23. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

| | Notes | 2025 RMB'000 | 2024 RMB'000 |
|---|-------|-----------------|-----------------|
| Non-current assets | | | |
| Prepayment for acquisition of subsidiaries | i | 56,000 | 56,000 |
| Prepayment for acquisition of non-controlling interests | ii | 14,500 | 14,500 |
| Deposits and other receivables | iii | 13,075 | 28,075 |
| Prepayment for property, plant and equipment | | – | 122 |
| | | 83,575 | 98,697 |
| Current assets | | | |
| Prepayments to suppliers | | 22,444 | 71,304 |
| Land resumption due from the government | | 122,859 | 122,859 |
| Deposits and other receivables | | | |
| – Third parties | iii | 195,671 | 193,903 |
| – Related parties (Note 39(b)) | | 467,277 | 9,744 |
| | | 808,251 | 397,810 |
| Less: ECL allowance | | (61,662) | (53,912) |
| | | 746,589 | 343,898 |

Notes:

- (i) The prepayment is for the acquisition of a 50% interest in Fuyue Design, an associate of the Company from an independent third party individual.
- (ii) The prepayment is for the acquisition of a 25% interest in a company from a non-controlling interest.
- (iii) As at 31 December 2025, deposit in other receivables amounting to RMB28,075,000 (2024: RMB46,075,000) was pledged for other borrowings (Note 29).

As at 31 December 2025, ECL allowance were estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied as at 31 December 2025 ranged from 1.71% to 100% (2024: 0.2% to 100%).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

24. CONTRACT ASSETS

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| Contract assets arising from installation and other ancillary services | 1,780 | 2,491 |
| Less: ECL allowance | (692) | (318) |
| | 1,088 | 2,173 |

The Group's installation and other ancillary services contracts include payment schedules which require progress payments over the services period once certain specified milestones are reached. The Group agrees to a one year retention period for 5% of the contract value. This amount is included in contract assets until the end of retention period as the Group's entitlement to this final payment is conditional on the Group's satisfactory work.

The amount of contract assets that is expected to be recovered in one year, all of which relates to retentions.

25. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

| | 2025 RMB'000 | 2024 RMB'000 |
|-----------------------------------|-----------------|-----------------|
| Non-current assets | | |
| Restricted bank deposits (note i) | 500 | 5,318 |
| Current assets | | |
| Restricted bank deposits (note i) | 12,482 | 5,031 |
| Cash and bank balances (note ii) | 78,299 | 20,452 |
| | 91,281 | 30,801 |

Notes:

- (i) As at 31 December 2025, restricted bank deposits include pledged time deposits amounting to nil (2024: RMB5,031,000) for bank borrowings (Note 29), guarantee deposits for contracts with customers amounting to RMB3,828,000 (2024: RMB3,833,000) and frozen bank balances by a court order amounting to RMB9,154,000 (2024: RMB1,485,000).

The time deposits in banks earn 2% interest per annum (2024: 2%). They have a maturity of 1 year (2024: 1 year) and are eligible for immediate cancellation without receiving any interest for the last deposit period. The directors of the Group considered that the fair value of the short-term bank deposits is not materially different from their carrying amount because of the short maturity period on their inception.

- (ii) Cash at banks earns interest at floating rates based on daily bank deposit rates.

At the end of the reporting period, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to RMB84,257,000 (2024: RMB26,890,000). The RMB is not freely convertible into other currencies, however, under PRC's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The bank balances and restricted bank deposits are deposited with creditworthy banks with no recent history of default.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

26. ASSETS CLASSIFIED AS HELD FOR SALE

As described in note 19, the Group completed the disposal of its interests in Dongma, which had been classified as assets held for sale during the year ended 31 December 2024.

| | 2024 RMB'000 |
|--|-----------------|
| Investments in associates | 20,965 |
| Other receivables | 43,682 |
| Less: Write-down of to net realisable value for assets classified as held for sale | (4,647) |
| | 60,000 |

27. TRADE PAYABLES

| | 2025 RMB'000 | 2024 RMB'000 |
|--------------------------------|-----------------|-----------------|
| Trade payables | | |
| – Third parties | 143,389 | 151,114 |
| – Related parties (Note 39(b)) | 3,448 | 54,681 |
| | 146,837 | 205,795 |

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

| | 2025 RMB'000 | 2024 RMB'000 |
|------------------|-----------------|-----------------|
| Within 1 month | 41,689 | 28,360 |
| 1 to 3 months | 43,697 | 75,677 |
| 3 to 6 months | 6,274 | 16,015 |
| 6 to 12 months | 19,442 | 42,201 |
| More than 1 year | 35,735 | 43,542 |
| | 146,837 | 205,795 |

The trade payables are non-interest-bearing and are normally settled for a period of 3 months extendable up to 1 year.

All amounts are short term and hence the carrying amounts of the Group's trade payables are considered to be a reasonable approximation of fair value.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

28. OTHER PAYABLES AND ACCRUALS

| | Note | 2025 RMB'000 | 2024 RMB'000 |
|----------------------|------|-----------------|-----------------|
| Contract liabilities | i | 32,332 | 54,199 |
| Accruals | | 4,793 | 7,053 |
| Other payables | | 115,823 | 146,550 |
| | | 152,948 | 207,802 |

Note:

- (i) Contract liabilities include unsatisfied performance obligations resulting from contracts of installation and other ancillary services for which the Group has received consideration at the end of the reporting period. The Group requires customers to pay deposits, 3% of total contract sum, as part of its credit risk management policies. Contract liabilities are recognised as revenue upon the Group satisfying its performance obligations under the relevant contracts.

All deposits received are expected to be settled within one to two years.

The significant decrease of contract liabilities as at 31 December 2025 is mainly due to the decrease in the deposits received as a result of lesser orders received from customers during the reporting period.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

29. BORROWINGS

| | 2025 | | | 2024 | | |
|--|------------------------|-----------|----------------|------------------------|-----------|------------------|
| | Effective interest (%) | Maturity | RMB'000 | Effective interest (%) | Maturity | RMB'000 |
| Current: | | | | | | |
| Bank borrowings – secured | 3.2–3.8 | 2026 | 105,107 | 2.275–6.8 | 2025 | 219,759 |
| Current portion of long-term borrowings: | | | | | | |
| Bank borrowings – secured | 2.7–4.6 | 2026 | 210,469 | 4.6–5.98 | 2025 | 216,080 |
| Other borrowings – secured | 3.1–6.36 | 2026 | 394,661 | 5.04–13.84 | 2025 | 670,114 |
| | | | 710,237 | | | 1,105,953 |
| Non-current: | | | | | | |
| Non-current portion of long-term borrowings: | | | | | | |
| Bank borrowings – secured | 3 | 2027–2028 | 4,250 | 2.275–6.8 | 2026–2027 | 209,600 |
| Other borrowings – secured | 4.16–6.36 | 2027–2028 | 144,277 | 5.04–13.84 | 2026–2027 | 375,016 |
| | | | 148,527 | | | 584,616 |
| | | | 858,764 | | | 1,690,569 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

29. BORROWINGS (Continued)

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| Analysed into: | | |
| Borrowings repayable: | | |
| Within one year | 710,237 | 1,105,953 |
| In the second year | 67,296 | 503,385 |
| In the third to fifth years, inclusive | 81,231 | 81,231 |
| | 858,764 | 1,690,569 |

Note:

Certain of the Group's borrowings were secured by the following:

- (i) As at 31 December 2025, the Group had pledged buildings and certain machinery amounting to RMB361,200,000 (2024: RMB546,794,000) and RMB14,055,000 (2024: RMB19,986,000), respectively (note 14);
- (ii) As at 31 December 2025, the Group had pledged a right-of-use asset amounting to RMB13,839,000 (2024: RMB17,852,000) (note 17(a));
- (iii) As at 31 December 2025, the Group had pledged deposit in other receivables amounting to RMB28,075,000 (2024: RMB46,075,000) (Note 23); and
- (iv) As at 31 December 2025, the Group had no pledged time deposits (2024: RMB5,031,000) (note 25).

In addition, the Company's ultimate holding company and a fellow subsidiary have provided guarantees of up to RMB630,703,000 (2024: RMB1,334,115,000) and RMB90,084,000 (2024: RMB85,000,000) to secure certain of the Group's borrowings as at the end of the reporting period, respectively.



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For the year ended 31 December 2025

30. AMOUNTS DUE FROM/(TO) RELATED PARTIES

As at 31 December 2025, the loan from the ultimate holding company amounting to RMB1,975,984,000 (2024: RMB924,769,000) is unsecured and bearing interest rate at a rate of 8% per annum (2024: 8% per annum) and will be repayable on the respective maturity dates in 2026 and 2027 (2024: repayable within one year).

As at 31 December 2025, the loan from fellow subsidiaries amounting to RMB175,408,000 (2024: RMB54,169,000) is unsecured and bearing interest rate at a rate of 7.56% per annum (2024: 6% to 6.25%) and RMB100,318,000 will be repayable on the respective maturity dates in 2026 and 2027 (2024: repayable within one year).

As at 31 December 2024, the loan from an associate amounting to RMB27,200,000 is unsecured and bearing interest at a rate of 5.8% per annum, and repayable within one year.

As at 31 December 2025, the loan from non-controlling interests amounting to RMB51,073,000 (2024: RMB47,342,000) is unsecured and bearing interest at a rate of 6.15% per annum (2024: 6.15% per annum) and will be repayable within one year.

As at 31 December 2025, the loan from the immediate holding company amounting to RMB198,155,000 (2024: RMB114,888,000) is unsecured and bearing interest rate at a rate of 5.5% to 6.35% per annum (2024: 5.5% per annum) and will be repayable after one year.

31. MEDIUM TERM BONDS

On 5 February 2016, the Company established a medium-term bond programme with a nominal value of HK\$10,000,000 each. As at 31 December 2025, the Company has issued the medium-term bonds (the "Bonds") with a principal amount in aggregate of HK\$700,000,000 (2024: HK\$700,000,000). 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 nominal 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 include early redemption right subject to not less than 450 days' written notice. 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.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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31. MEDIUM TERM BONDS (Continued)

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

| | 2025 RMB'000 | 2024 RMB'000 |
|--------------------------------|-----------------|-----------------|
| Carrying amount at 1 January | 40,729 | 37,494 |
| Accrued interest expenses | 3,259 | 3,056 |
| Payment for interest | (559) | (539) |
| Exchange realignment | (1,039) | 718 |
| Carrying amount at 31 December | 42,390 | 40,729 |

As described in note 43, all the medium-term bonds outstanding as of 31 December 2025 were subsequently redeemed and repurchased by the Company in 2026 at a total consideration of RMB29,500,000.

32. DEFERRED GOVERNMENT GRANTS

Deferred income represents government grants received by subsidiaries for reimbursements of capital expenditure spent on manufacturing activities. Deferred income is released to profit or loss over the periods to match the related cost.

33. SHARE CAPITAL

| | 2025 RMB'000 | 2024 RMB'000 |
|--|-----------------|-----------------|
| Authorised: 4,000,000,000 (2024: 4,000,000,000) ordinary shares of HK\$0.10 each | 423,932 | 423,932 |
| Issued and fully paid: 2,598,561,326 (2024: 2,598,561,326) ordinary shares of HK\$0.10 each | 221,592 | 221,592 |

A summary of movements in the Company's share capital is as follows:

| | Number of shares in issue | Share capital RMB'000 | Share premium account RMB'000 | Total RMB'000 |
|---|---------------------------------|-----------------------------|--|------------------|
| At 1 January 2024, 31 December 2024, 1 January 2025 and 31 December 2025 | 2,598,561,326 | 221,592 | 934,514 | 1,156,106 |



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34. RESERVES

The amounts of the Group's reserves and the movements therein for the years ended 31 December 2025 and 2024 are presented in the consolidated statement of changes in equity of the consolidated financial statements.

Share premium

The share premium represents the difference between the par value of the shares of the Company and net proceeds received from the issuance of the shares of the Company.

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to the shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

Capital reserve

The capital reserve mainly represents the difference between the cost of acquisition and the non-controlling interests acquired in the case of acquisition of additional non-controlling interests of subsidiaries.

Property revaluation reserve

The property revaluation reserve arose from a revaluation surplus resulting from the building revaluation.

Statutory reserve

In accordance with the PRC Company Law and the articles of association of the Group's PRC subsidiaries, a subsidiary registered in the PRC as a domestic company is required to appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory surplus reserve. When the balance of this reserve fund reaches 50% of the entity's capital, any further appropriation is optional. The statutory surplus reserve can be utilised to offset prior years' losses or to increase capital. However, the balance of the statutory surplus reserve must be maintained at a minimum of 25% of the capital after these usages.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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35. SHARE AWARD SCHEME

On 14 May 2021, a share award scheme was approved and adopted by the Board of directors of the Company. Unless otherwise cancelled or amended, the share award scheme will remain valid and effective for 5 years from the date of adoption.

The number of shares to be award under the share award scheme throughout its duration is limited to 5% of the total number of issued shares of the Company from time to time. The maximum number of shares which may be awarded to a selected participant under the scheme shall not exceed 1% of the total number of issued shares of the Company in any 12-month period.

The Board has full discretion to determine the amount of the share award to be vested to eligible employees at the end of a performance period in accordance with the performance criteria approved by the Board.

During the years ended 31 December 2025 and 2024, no share awards were purchased on the Stock Exchange.

During the year ended 31 December 2025 and 2024, no shares were allotted, issued, vested and granted under the share award scheme of the Company.

As at 31 December 2025, 120,690,000 (31 December 2024: 120,690,000) shares of the Company are held by the trustee and have yet to be awarded and the carrying amount of Shares held for Share Award Scheme was approximately RMB199,655,000 (2024: RMB199,655,000).



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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36. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year ended 31 December 2025, the Group had non-cash transactions of the additions and modifications to right-of-use assets and lease liabilities of RMB8,262,000 and RMB880,000 (2024: RMB18,174,000 and RMB1,585,000), respectively, in respect of lease arrangements for buildings.

(b) Changes in liabilities arising from financing activities were as follows:

| | Lease liabilities | Borrowings | Medium term bonds | Loan from the ultimate holding company | Loan from fellow subsidiaries | Loan from an associate | Loan from non-controlling interests | Loan from a director | Loan from the immediate holding company | Total |
|--|-------------------|------------------|-------------------|--|-------------------------------|------------------------|-------------------------------------|----------------------|---|------------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2024 | 47,671 | 2,389,893 | 37,494 | 79,000 | - | 53,000 | 45,013 | 18,969 | 95,113 | 2,766,153 |
| Cash flows: | | | | | | | | | | |
| - Repayment | (13,182) | (1,711,886) | - | - | - | (25,800) | - | (18,969) | - | (1,769,837) |
| - Proceeds | - | 1,012,562 | - | 845,769 | 54,000 | - | - | - | 11,866 | 1,924,197 |
| - Interest paid | - | (127,405) | (539) | (25,915) | (2,244) | (2,475) | - | - | - | (158,578) |
| Non-cash: | | | | | | | | | | |
| - Finance costs (note 7) | 2,140 | 127,405 | 3,056 | 25,915 | 2,413 | 2,475 | 2,329 | - | 5,923 | 171,656 |
| - Entering into new leases | 18,174 | - | - | - | - | - | - | - | - | 18,174 |
| - Derecognition of leases upon early termination | (27,265) | - | - | - | - | - | - | - | - | (27,265) |
| - Lease modification | 1,585 | - | - | - | - | - | - | - | - | 1,585 |
| - Exchange difference | (1) | - | 718 | - | - | - | - | - | 1,986 | 2,703 |
| At 31 December 2024 and 1 January 2025 | 29,122 | 1,690,569 | 40,729 | 924,769 | 54,169 | 27,200 | 47,342 | - | 114,888 | 2,928,788 |
| Cash flows: | | | | | | | | | | |
| - Repayment | (13,238) | (965,986) | - | - | - | (27,200) | - | - | - | (1,006,424) |
| - Proceeds | - | 212,562 | - | 1,051,046 | 121,239 | - | 3,731 | - | 80,813 | 1,469,391 |
| - Interest paid | - | (62,742) | (559) | (122,107) | (7,919) | - | (5,054) | - | (4,595) | (202,976) |
| Non-cash: | | | | | | | | | | |
| - Finance costs (note 7) | 1,299 | 62,742 | 3,259 | 122,276 | 7,919 | - | 5,054 | - | 6,331 | 208,880 |
| - Entering into new leases | 8,262 | - | - | - | - | - | - | - | - | 8,262 |
| - Derecognition of leases upon early termination | (3,984) | - | - | - | - | - | - | - | - | (3,984) |
| - Lease modification | (880) | - | - | - | - | - | - | - | - | (880) |
| - Disposal of a subsidiary (note 40) | - | (78,381) | - | - | - | - | - | - | - | (78,381) |
| - Exchange difference | (21) | - | (1,039) | - | - | - | - | - | 718 | (342) |
| At 31 December 2025 | 20,560 | 858,764 | 42,390 | 1,975,984 | 175,408 | - | 51,073 | - | 198,155 | 3,322,334 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

37. CONTINGENT LIABILITIES

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

| | 2025 RMB'000 | 2024 RMB'000 |
|---|-----------------|-----------------|
| Guarantees given to banks in connection with facilities granted to an associate | 333,000 | 333,000 |

During the year, the Group has pledged a 40% equity interest in an associate Gangke to secure general banking facilities granted to Gangke.

Under the guarantee, the Group would be liable to pay the bank if the bank is unable to recover the loan. The original loan amount was RMB832,500,000. At the end of the reporting period, the outstanding balance of the bank loans was RMB513,946,000 (2024: RMB566,700,000) and the Group's maximum exposure under the financial guarantee contract was RMB205,578,000 (2024: RMB226,680,000).

In the opinion of the directors, the fair value of the guarantees at initial recognition and the ECL allowance are not significant on the basis of low applicable default rates due to the Gangke is in strong financial positions as disclosed in note 19.

38. COMMITMENTS

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

| | 2025 RMB'000 | 2024 RMB'000 |
|-----------------------------------|-----------------|-----------------|
| Contracted, but not provided for: | | |
| Construction in progress | - | 32,083 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

39. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group had the following transactions with related parties, namely Science City Guangzhou Investment Group Co., Ltd. ("Science City"), its subsidiaries and affiliates (together, "Science City Affiliates Group") and other related parties during the year:

| | 2025 RMB'000 | 2024 RMB'000 |
|---|-----------------|-----------------|
| Science City Affiliates Group | | |
| Sale of goods (Note) | 5,162 | 14,159 |
| Decoration services (Note) | 4,639 | 1,787 |
| Interest expense (Note) | 136,526 | 34,251 |
| Guarantee fees (Note) | 24,373 | 15,373 |
| Disposal of a subsidiary and an associate (Note 40) | 428,092 | – |

Note: These transactions constitute connected transactions or continuing connected transactions under the Listing Rules.

| | 2025 RMB'000 | 2024 RMB'000 |
|--------------------------|-----------------|-----------------|
| Associates | | |
| Sale of goods | 183 | 4,075 |
| Interest income | 50,042 | 42,503 |
| Interest expense | 5,054 | 4,804 |
| Imputed interest expense | 4,703 | – |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

39. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

| | 2025 RMB'000 | 2024 RMB'000 |
|-------------------------------|-----------------|-----------------|
| Trade receivables: | | |
| Science City Affiliates Group | 8,363 | 14,680 |
| Associates | 16,467 | 17,484 |
| Non-controlling interest | 2,674 | 2,523 |
| | 27,504 | 34,687 |
| Other receivables: | | |
| Science City Affiliates Group | 466,545* | 3,482 |
| Non-controlling interest | 732 | 6,262 |
| | 467,277 | 9,744 |
| Trade payables: | | |
| Science City Affiliates Group | 120 | 54,681 |
| Non-controlling interest | 3,328 | – |
| | 3,448 | 54,681 |

* The balance includes consideration receivables related to disposal of a subsidiary and an associate details please refer to Note 40.

(c) Compensation of key management personnel of the Group

Key management of the Group are members of the board of directors, as well as members of the “management board” of the parent company. Key management personnel remuneration includes the following expenses:

| | 2025 RMB'000 | 2024 RMB'000 |
|---|-----------------|-----------------|
| Short term employee benefits | 5,124 | 8,331 |
| Pension scheme contributions | 536 | 421 |
| Total compensation paid to key management personnel | 5,660 | 8,752 |

Further details of directors' emoluments are included in note 9 to the financial statements.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. DISPOSAL OF A SUBSIDIARY AND AN ASSOCIATE

On 29 December 2025, the Group disposed of its entire interest in a direct wholly-owned subsidiary, Guangdong Hengcheng Furniture Company Limited (“Hengcheng”), together with its 18.06% interest in Financial Leasing to Science City at considerations of RMB11,339,000 and RMB416,753,000, respectively, which will be settled in 2026.

As at 31 December 2025, the outstanding consideration receivable of RMB428,092,000 was recorded under “Prepayments, deposits and other receivables” (Note 23).

(a) Disposal of a subsidiary

| | RMB'000 |
|--|--------------|
| Analysis of assets and liabilities over which control was lost: | |
| Property, plant and equipment (Note 14) | 85,602 |
| Right-of-use assets (Note 17a) | 28,661 |
| Cash and cash equivalents | 165 |
| Amounts due from subsidiaries of the Group | 18,000 |
| Other payables and accruals | (12,254) |
| Amounts due to the subsidiaries of the Group (Note 19(b)) | (34,722) |
| Borrowings (Note 36(b)) | (78,381) |
| Deferred government grant | (2,071) |
| Net assets disposed of | 5,000 |
| Gain on disposal of a subsidiary: | |
| Consideration receivables | 11,339 |
| Net assets disposed of | (5,000) |
| Gain on disposal | 6,339 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

40. DISPOSAL OF A SUBSIDIARY AND AN ASSOCIATE (Continued)

(b) Disposal of an associate

| | RMB'000 |
|--|-----------|
| Gain on disposal of an associate: | |
| Consideration receivables | 416,753 |
| Investment in an associate | (354,914) |
| Withholding tax on gain from disposal | (7,475) |
| Gain on disposal | 54,364 |

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk.

The Group does not have written risk management policies and guidelines. However, management meets periodically to analyse and formulate measures to manage the Group's exposure to financial risks. Generally, the Group employs a conservative strategy regarding its risk management.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

41.1 Categories of financial assets and liabilities

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

| | 2025 RMB'000 | 2024 RMB'000 |
|--|------------------|-----------------|
| Financial assets | | |
| <i>Financial assets at amortised cost</i> | | |
| Trade receivables | 204,658 | 232,020 |
| Deposits and other receivables | 737,220 | 300,669 |
| Amounts due from associates | 1,097,412 | 1,090,685 |
| Restricted bank deposits | 12,982 | 10,349 |
| Cash and cash equivalents | 78,299 | 20,452 |
| | 2,130,571 | 1,654,175 |
| Financial liabilities | | |
| <i>Financial liabilities at amortised cost</i> | | |
| Trade payables | 146,837 | 205,795 |
| Other payables and accruals | 82,974 | 104,076 |
| Lease liabilities | 20,560 | 29,122 |
| Borrowings | 858,764 | 1,690,569 |
| Medium term bonds | 42,390 | 40,729 |
| Loan from the ultimate holding company | 1,975,984 | 924,769 |
| Loan from fellow subsidiaries | 175,408 | 54,169 |
| Loan from an associate | – | 27,200 |
| Loan from non-controlling interests | 51,073 | 47,342 |
| Loan from the immediate holding company | 198,155 | 114,888 |
| | 3,552,145 | 3,238,659 |

41.2 Foreign currency risk

The Group operates in the PRC and majority of transactions are denominated in RMB. The Group is not exposed to significant foreign exchange risk arises from commercial transactions, recognised assets and liabilities, which are denominated in a currency that is not the functional currency of the Group entities.

41.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from borrowings, medium term bonds, lease liabilities and loans from related parties bearing fixed rates expose the Group to fair value interest rate risk. The exposure to interest rates for the Group's short term bank deposits is considered immaterial.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

41.4 Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. For transactions that are not denominated in the functional currency of the relevant operating unit, the Group does not offer credit terms without the specific approval of the head of credit control.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, financial assets included in prepayments, deposits and other receivables, amounts due from associates and restricted bank deposits arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral. Concentrations of credit risk are managed by customer. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables are widely dispersed across different sectors.

The credit risks on pledged time deposits and cash and cash equivalents are considered to be insignificant because the counterparties are banks/financial institutions with high credit ratings assigned by international credit-rating agencies.

Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables and other financial assets included in prepayments, deposits and other receivables are disclosed in notes 22 and 23 to the financial statements, respectively.

41.5 Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets (e.g. trade receivables) and projected cash flows from operations. However, as explained in note 2.1, certain events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Various plans and measures as explained in note 2.1 have been in process to help mitigate the Group's liquidity and financial position.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

41.5 Liquidity risk (Continued)

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, was as follows:

| | Within 1 year or on demand RMB'000 | More than 1 year but less than 2 years RMB'000 | More than 2 years but less than 5 years RMB'000 | Over 5 years RMB'000 | Total contractual undiscounted cash flow RMB'000 | Carrying amount RMB'000 |
|---|---|--|---|----------------------------|--|-------------------------------|
| 2025 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Trade payables | 146,837 | - | - | - | 146,837 | 146,837 |
| Other payables and accruals | 82,974 | - | - | - | 82,974 | 82,974 |
| Lease liabilities | 9,844 | 5,627 | 4,068 | 3,369 | 22,908 | 20,560 |
| Borrowings | 728,281 | 128,119 | 22,455 | - | 878,855 | 858,764 |
| Medium term bonds | 42,390 | - | - | - | 42,390 | 42,390 |
| Loan from the ultimate holding | 21,266 | 2,112,796 | - | - | 2,134,062 | 1,975,984 |
| Loan from fellow subsidiaries | 107,902 | 80,767 | - | - | 188,669 | 175,408 |
| Loan from non-controlling interests | 54,214 | - | - | - | 54,214 | 51,073 |
| Loan from the immediate holding company | 10,638 | 198,615 | - | - | 209,253 | 198,155 |
| | 1,204,346 | 2,525,924 | 26,523 | 3,369 | 3,760,162 | 3,552,145 |
| Derivative financial liabilities | | | | | | |
| Financial guarantees issued (Note) | | | | | | |
| Maximum amount guaranteed | - | - | 196,832 | - | 196,832 | 196,832 |
| 2024 | | | | | | |
| Non-derivative financial liabilities | | | | | | |
| Trade payables | 205,795 | - | - | - | 205,795 | 205,795 |
| Other payables and accruals | 104,076 | - | - | - | 104,076 | 104,076 |
| Lease liabilities | 11,029 | 10,095 | 6,996 | 4,727 | 32,847 | 29,122 |
| Borrowings | 1,153,180 | 516,695 | 82,625 | - | 1,752,500 | 1,690,569 |
| Medium term bonds | 648 | 648 | 1,944 | 645,616 | 648,856 | 40,729 |
| Loan from the ultimate holding | 998,751 | - | - | - | 998,751 | 924,769 |
| Loan from fellow subsidiaries | 57,555 | - | - | - | 57,555 | 54,169 |
| Loan from an associate | 28,778 | - | - | - | 28,778 | 27,200 |
| Loan from non-controlling interests | 50,254 | - | - | - | 50,254 | 47,342 |
| Loan from the immediate holding company | 6,190 | 118,743 | - | - | 124,933 | 114,888 |
| | 2,616,256 | 646,181 | 91,565 | 650,343 | 4,004,345 | 3,238,659 |
| Derivative financial liabilities | | | | | | |
| Financial guarantees issued (Note) | | | | | | |
| Maximum amount guaranteed | 10,000 | - | 216,680 | - | 226,680 | 226,680 |

Note: The amounts included above for financial guarantee contracts are the maximum amounts the Group could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the directors considered that it was not probable that the borrower of the loan would default the repayment of the loan and therefore no provision for the Group's obligation under the guarantee has been made.



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

41.6 Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2025 and 2024.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. Net debt includes trade payables, other payables and accruals, borrowings, medium term bonds, loans from related parties, less cash and cash equivalents. Capital represents equity attributable to owners of the parent. The gearing ratios as at the end of the reporting periods were as follows:

| | 2025 RMB'000 | 2024 RMB'000 |
|---|------------------|-----------------|
| Trade payables | 146,837 | 205,795 |
| Other payables and accruals | 152,948 | 207,802 |
| Borrowings | 858,764 | 1,690,569 |
| Medium term bonds | 42,390 | 40,729 |
| Loan from the ultimate holding company | 1,975,984 | 924,769 |
| Loan from fellow subsidiaries | 175,408 | 54,169 |
| Loan from an associate | – | 27,200 |
| Loan from non-controlling interests | 51,073 | 47,342 |
| Loan from the immediate holding company | 198,155 | 114,888 |
| Less: Cash and cash equivalents | (78,299) | (20,452) |
| Net debt | 3,523,260 | 3,292,811 |
| Equity attributable to owners of the parent | 571,452 | 1,294,740 |
| Capital and net debt | 4,094,712 | 4,587,551 |
| Gearing ratio | 86% | 72% |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

| | 2025 RMB'000 | 2024 RMB'000 |
|--|------------------|-----------------|
| ASSETS AND LIABILITIES | | |
| Non-current assets | | |
| Interests in subsidiaries | 1,024,904 | 1,024,904 |
| Current assets | | |
| Due from subsidiaries | 206,816 | 226,797 |
| Prepayments | – | 179 |
| Cash and cash equivalents | 202 | 69 |
| | 207,018 | 227,045 |
| Current liabilities | | |
| Other payables and accruals | 4,584 | 2,012 |
| Net current assets | 202,434 | 225,033 |
| Total assets less current liabilities | 1,227,338 | 1,249,937 |
| Non-current liabilities | | |
| Loan from the immediate holding company | 118,057 | 114,888 |
| Medium term bonds | 42,390 | 40,729 |
| | 160,447 | 155,617 |
| Net assets | 1,066,891 | 1,094,320 |
| EQUITY | | |
| Share capital | 221,592 | 221,592 |
| Reserves (note) | 845,299 | 872,728 |
| Total equity | 1,066,891 | 1,094,320 |



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

42. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

The movement of the Company's reserves are as follows:

| | Share premium account* | Contributed surplus* | Exchange fluctuation reserve | Accumulated losses | Total |
|---|------------------------------|-------------------------|------------------------------------|-----------------------|----------------|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2024 | 934,514 | 39,887 | 27,814 | (117,197) | 885,018 |
| Loss for the year | – | – | – | (13,460) | (13,460) |
| Translation from functional currency to presentation currency | – | – | 1,170 | – | 1,170 |
| At 31 December 2024 | 934,514 | 39,887 | 28,984 | (130,657) | 872,728 |
| Loss for the year | – | – | – | (15,855) | (15,855) |
| Translation from functional currency to presentation currency | – | – | (11,574) | – | (11,574) |
| At 31 December 2025 | 934,514 | 39,887 | 17,410 | (146,512) | 845,299 |

* The Company's contributed surplus represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the group reorganisation before the listing of the Company on the Main Board of the Stock Exchange of Hong Kong Limited, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Law of the Cayman Islands, a company may make distributions to its members out of the contributed surplus under certain circumstances, and the funds in the Company's share premium account are distributable to the equity shareholders provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

43. EVENTS AFTER THE REPORTING PERIOD

The Company redeemed and repurchased all the medium-term bonds outstanding as of 31 December 2025 in 2026.

For further details, please refer to the announcement dated 29 March 2016, 20 April 2016, 27 April 2016, 3 May 2016, 13 July 2016, 28 July 2016, 18 August 2016, 29 September 2016, 14 October 2016, 7 November 2016, 29 November 2016, 6 December 2016, 20 January 2017, 24 January 2017 and 13 February 2026, respectively of the Company.

44. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 31 March 2026.



FIVE YEARS FINANCIAL SUMMARY

A summary of the results and of the assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited financial statements, is set out below:

RESULTS

| | 2025 RMB'000 | Year ended 31 December | | | |
|-----------------------------|------------------|------------------------|-----------------|-----------------|-----------------|
| | | 2024 RMB'000 | 2023 RMB'000 | 2022 RMB'000 | 2021 RMB'000 |
| REVENUE | 381,091 | 525,607 | 827,916 | 1,461,037 | 1,267,094 |
| Gross profit | 19,027 | 35,411 | 26,117 | 210,812 | 264,147 |
| (LOSS)/PROFIT BEFORE TAX | (614,340) | (431,573) | (419,118) | (96,334) | 97,844 |
| Income tax credit/(expense) | (2,329) | 83,267 | 33,147 | 106,974 | (24,550) |
| (LOSS)/PROFIT FOR THE YEAR | (616,669) | (348,306) | (385,971) | 10,640 | 73,294 |
| Attributable to: | | | | | |
| Owners of the parent | (602,796) | (334,391) | (381,536) | 4,673 | 63,829 |
| Non-controlling interests | (13,873) | (13,915) | (4,435) | 5,967 | 9,465 |
| | (616,669) | (348,306) | (385,971) | 10,640 | 73,294 |

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

| | 2025 RMB'000 | As at 31 December | | | |
|---------------------------|------------------|-------------------|-----------------|-----------------|-----------------|
| | | 2024 RMB'000 | 2023 RMB'000 | 2022 RMB'000 | 2021 RMB'000 |
| TOTAL ASSETS | 4,497,875 | 5,028,073 | 5,305,799 | 5,416,952 | 5,140,692 |
| TOTAL LIABILITIES | 3,788,805 | (3,581,924) | (3,519,275) | (3,280,704) | (2,912,736) |
| NON-CONTROLLING INTERESTS | (137,618) | (151,409) | (165,324) | (123,799) | (119,274) |
| | 571,452 | 1,294,740 | 1,621,200 | 2,012,449 | 2,108,682 |