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ROYALE HOME HOLDINGS LIMITED
皇朝家居控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1198)

ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2023

RESULTS

The board of directors (the "Board") of Royale Home Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (together, the "Group") for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022. The annual results for the year ended 31 December 2023 have been reviewed by the Company's audit committee.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

	Notes	**2023**	2022
		RMB'000	*RMB'000*
			(Restated)
REVENUE	4	**827,916**	1,461,037
Cost of sales		**(801,799)**	(1,250,225)
Gross profit		**26,117**	210,812
Other income and gains	4	**108,249**	101,851
Selling and distribution expenses		**(165,352)**	(114,113)
Administrative expenses		**(157,194)**	(130,384)
(Impairment losses)/reversal of impairment on financial and contract assets	5	**(39,545)**	3,003
Other expenses	5	**(34,675)**	(49,762)
Finance costs	6	**(144,670)**	(119,795)
Share of profits and losses of associates	5	**(12,048)**	2,054
LOSS BEFORE TAX	5	**(419,118)**	(96,334)
Income tax credit	7	**33,147**	106,974
(LOSS)/PROFIT FOR THE YEAR		**(385,971)**	10,640
Attributable to:			
Owners of the parent		**(381,536)**	4,673
Non-controlling interests		**(4,435)**	5,967
		(385,971)	10,640
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		**RMB(15.362) cents**	RMB0.188 cents
Diluted		**RMB(15.362) cents**	RMB0.188 cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
(LOSS)/PROFIT FOR THE YEAR	**(385,971)**	10,640
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**7,494**	7,279
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**7,494**	7,279
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Translation from functional currency to presentation currency	**1,028**	150
Gains on property revaluation	**21,135**	9,430
Income tax effect	**(5,284)**	(2,358)
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**16,879**	7,222
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**24,373**	14,501
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(361,598)**	25,141
Attributable to:		
Owners of the parent	**(357,062)**	19,174
Non-controlling interests	**(4,536)**	5,967
	(361,598)	25,141

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

	Notes	**31 December 2023** **RMB'000**	31 December 2022 *RMB'000* (Restated)	1 January 2022 *RMB'000* (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**797,143**	824,154	777,949
Investment properties		**599,200**	601,600	481,100
Intangible assets		**700**	737	2,810
Right-of-use assets		**286,240**	271,974	254,295
Goodwill		**25,052**	27,808	27,808
Investments in associates		**1,339,417**	1,306,414	1,291,844
Deferred tax assets		**23,731**	27,734	20,352
Prepayments		**73,539**	126,681	17,777
Contract assets		**–**	12,866	1,369
Restricted cash		**–**	100,566	100,000
Total non-current assets		**3,145,022**	3,300,534	2,975,304
CURRENT ASSETS				
Inventories		**302,399**	249,079	207,324
Trade receivables	10	**236,378**	202,106	152,612
Prepayments, deposits and other receivables		**330,465**	332,595	367,699
Contract assets		**4,592**	2,009	93
Financial assets at fair value through profit or loss		**20,885**	4,778	8,551
Amounts due from associates	12	**1,003,530**	852,216	741,725
Restricted cash		**233,258**	116,806	567,902
Cash and cash equivalents		**29,270**	356,829	119,482
Total current assets		**2,160,777**	2,116,418	2,165,388
CURRENT LIABILITIES				
Trade payables	11	**220,658**	128,378	87,639
Other payables and accruals		**286,134**	178,033	125,563
Interest-bearing bank and other borrowings		**1,480,150**	1,098,804	1,147,776
Loan from an associate	12	**53,000**	150,173	–
Loan from the immediate holding company	12	**–**	144,497	–
Loan from the ultimate holding company	12	**79,000**	–	–
Loan from non-controlling interests	12	**45,013**	5,300	2,771
Loan from a director	12	**18,969**	–	72,831
Tax payable		**73,961**	127,257	146,632
Total current liabilities		**2,256,885**	1,832,442	1,583,212
NET CURRENT (LIABILITIES)/ASSETS		**(96,108)**	283,976	582,176
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,048,914**	3,584,510	3,557,480

	Notes	**31 December 2023** *RMB'000*	31 December 2022 *RMB'000* (Restated)	1 January 2022 *RMB'000* (Restated)
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,048,914**	3,584,510	3,557,480
NON-CURRENT LIABILITIES				
Medium term bonds		**37,494**	34,253	29,646
Interest-bearing bank and other borrowings		**909,743**	1,151,570	762,170
Loan from non-controlling interests	12	**–**	36,178	36,483
Loan from the immediate holding company	12	**95,113**	–	77,504
Lease liabilities		**37,130**	45,099	20,225
Deferred tax liabilities		**149,715**	146,961	366,484
Deferred government grant		**33,195**	34,201	37,012
Total non-current liabilities		**1,262,390**	1,448,262	1,329,524
Net assets		**1,786,524**	2,136,248	2,227,956
EQUITY				
Equity attributable to owners of the parent				
Share capital		**221,592**	221,592	221,592
Reserves		**1,399,608**	1,790,857	1,887,090
		1,621,200	2,012,449	2,108,682
Non-controlling interests		**165,324**	123,799	119,274
Total equity		**1,786,524**	2,136,248	2,227,956

NOTES TO FINANCIAL STATEMENTS

31 December 2023

1. CORPORATE AND GROUP INFORMATION

Royale Home Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the manufacture and sale of furniture and trading of commodities.

In the opinion of the directors, 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 incorporated in Hong Kong and Mainland China, respectively.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, certain financial assets and certain buildings classified as property, plant and equipment which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Going concern basis

The Group incurred a net loss of approximately RMB386 million for the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB96 million, while its cash and cash equivalents amounted to RMB29 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 RMB1,816 million are guaranteed by Science City (Guangzhou) Investment Group Co., Ltd.* ("Science City"). Science City has agreed to continue to act as the Group guarantor for the next twelve months on all their existing and new bank and other loans with an aggregated amount of not exceeding RMB2,000 million. Based on historical experience, the directors expect that the Group is able to renew all the bank and other loans with Science City's guarantee when they expire. As of 31 December 2023, the Group also has unpledged investment properties with carrying amount of approximately RMB599 million which are available for use as security to obtain new bank and other loans. Subsequent to the year end date, the Group has successfully renewed or obtained new bank and other loans of RMB356 million;

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(ii) The Group will continue to seek suitable opportunities to disposal of certain equity interest to raise the level of liquid funds; and

(iii) The Group will continue to implement measures to improve the operation performance, and to speed up the collection of outstanding sales proceeds and other receivables; and the Group will continue to take active measures to control costs and expense.

The board of directors have reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2023. 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 2023. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

(i) the successful obtaining continuous support by the banks and the Group's creditors;

(ii) successfully disposing of the Group's equity interest in certain companies when suitable; and

(iii) the successful and timely implementation of the plans to improve the operation performance, speed up the collection of outstanding sales proceeds and other receivables, and control costs and expense so as to generate adequate net cash inflows.

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same year as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), any non-controlling interests and exchange fluctuation reserve and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Change in presentation currency

Since most of the Group's transactions are denominated and settled in RMB and the change in the presentation currency could reduce the impact of any fluctuations in the exchange rate of HKD against RMB, which is not related to the operations and financial conditions of the Group on the consolidated financial statements of the Group and is beyond the control of the Group, the directors of the Company consider that it is more appropriate to use RMB as the presentation currency of the Group and the presentation of financial statements in RMB can provide more relevant information for management to control and monitor the performance and financial position of the Group. Accordingly, the Group has changed its presentation currency of the financial statements from HKD to RMB starting from 1 January 2023.

Such change in the presentation currency has been accounted for retrospectively in accordance with HKAS 8 Accounting Policies, Change in Accounting Estimates and Errors. The following methodology has been used to represent the comparative figures as at 1 January 2022 and 31 December 2022 and for the year ended 31 December 2022 (the "Relevant Period"), which were originally presented in HKD, in RMB:

Income and expenditure have been translated at the average rates of exchange prevailing for the Relevant Period;

Assets and liabilities have been translated at the closing rates of exchange at the end of the Relevant Period;

Share capital and other reserves were translated at applicable historical rates; and

All resulting exchange differences have been recognised in other comprehensive income.

In addition to the comparative information in respect of the previous period as provided in these consolidated financial statements, the Group presented an additional statement of financial position as at 1 January 2022 without related notes in accordance with HKAS 1 Presentation of Financial Statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 Making Materiality Judgements provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

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 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants (the "2022 Amendments")*[1, 4]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

3. OPERATING SEGMENT INFORMATION

The chief operating decision-makers mainly include executive directors of the Company. They review the Group's internal reporting in order to assess performance, allocate resources, and determine the operating segments based on these reports. Segment results are evaluated based on reportable gross profit margin.

The Group has four reportable segments as follows:

(a) The furniture products segment, engaging in the manufacture and sale of home furniture.

(b) The development properties for sale and property investments segment, engaging in the property investments and development.

(c) The hotel operations segment, engaging in hotel operations.

(d) The trading segment, engaging in the trading of aluminium ingots and bars.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. The following is an analysis of the Group's revenue and results by reportable and operating segments:

Year ended 31 December 2023	**Manufacture and sale of furniture** *RMB'000*	**Development properties for sales and property investments** *RMB'000*	**Hotel operations** *RMB'000*	**Trading** *RMB'000*	**Total** *RMB'000*
Segment revenue					
Sale to external customers	**782,825**	**–**	**12,838**	**32,253**	**827,916**
Revenue from continuing operations					**827,916**
Segment results	**57,857**	**–**	**(32,847)**	**1,107**	**26,117**
Loss before tax from continuing operations	**(324,877)**	**(36,008)**	**(48,492)**	**(9,741)**	**(419,118)**
Segment assets	**3,968,026**	**1,529,559**	**517,122**	**549,532**	**6,564,239**
Elimination of intersegment receivables					**(1,258,440)**
Total assets					**5,305,799**
Segment liabilities	**3,680,180**	**277,300**	**272,454**	**547,781**	**4,777,715**
Elimination of intersegment payables					**(1,258,440)**
Total liabilities					**3,519,275**

Year ended 31 December 2022	Manufacture and sale of furniture *RMB'000* (Restated)	Development properties for sales and property investments *RMB'000* (Restated)	Hotel operations *RMB'000* (Restated)	Trading *RMB'000* (Restated)	Total *RMB'000* (Restated)
Segment revenue					
Sale to external customers	825,248	–	36,442	599,347	1,461,037
Revenue from continuing operations					1,461,037
Segment results	202,862	–	3,715	4,235	210,812
Loss before tax from continuing operations	(62,136)	(16,378)	(13,452)	(4,368)	(96,334)
Segment assets	3,667,655	1,630,132	544,184	507,391	6,349,362
Elimination of intersegment receivables					(932,410)
Total assets					5,416,952
Segment liabilities	2,872,218	375,812	477,275	487,809	4,213,114
Elimination of intersegment payables					(932,410)
Total liabilities					3,280,704

Information about a major customer

No revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year (2022: RMB354,756,000).

Geographical information

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, net of value-added tax (the "VAT"), and after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Revenue from contracts with customers		
Sale of goods	**767,980**	1,337,944
Installation and other ancillary services	**47,098**	86,651
Hotel operation income	**12,838**	36,442
	827,916	1,461,037

Revenue from contracts with customers

(i) Disaggregated revenue information

For the year ended 31 December 2023

	Manufacture and sale of furniture	**Hotel operations**	**Trading**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Timing of revenue recognition				
Revenue recognised at a point in time	**755,148**	**7,118**	**32,253**	**794,519**
Revenue recognised over time	**27,677**	**5,720**	**–**	**33,397**
Total revenue from contracts with customers	**782,825**	**12,838**	**32,253**	**827,916**

For the year ended 31 December 2022

	Manufacture and sale of furniture	Hotel operations	Trading	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
	(Restated)	(Restated)	(Restated)	(Restated)
Timing of revenue recognition				
Revenue recognised at a point in time	825,248	4,895	599,347	1,429,490
Revenue recognised over time	–	31,547	–	31,547
Total revenue from contracts with customers	825,248	36,442	599,347	1,461,037

(ii) Performance obligation

Information about the Group's performance obligations is summarised below:

Sale of goods

For sales of furniture, the performance obligation is satisfied upon delivery of the goods and payment is generally due within 30 to 180 days from delivery, except for some new customers, where payment in advance is normally required. Some contracts provide customers with a right of return and volume rebates which give rise to variable consideration subject to constraint.

For trading, the performance obligation is satisfied upon delivery of the goods and payment in advance is normally required.

Hotel operations income

Hotel revenue from room rental is recognised over time during the period of stay of the hotel guests. Revenue from the sale of food and beverage is generally recognised at the point in time when the services are rendered.

Installation and other ancillary services

Installation and other ancillary services are recognised at a point in time of acceptance by the customer or recognised over time, according to different individual contracts.

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:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Revenue recognised that was included in contract liabilities at the beginning of the year	**23,376**	27,850

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Other income and gains		
Rental income	**7,444**	7,767
Bank interest income	**10,458**	3,103
Interest income from an associate	**51,425**	32,490
Fair value gains on investment properties	**–**	39,979
Sales of scraps	**452**	4,449
Government subsidy	**4,464**	3,816
Fair value gain on financial assets at fair value through profit or loss	**20,885**	4,779
Gain on disposal of right-of-use assets	**515**	97
Gain on disposal of property, plant and equipment	**236**	–
Others	**12,370**	5,371
	108,249	101,851

5. LOSS BEFORE TAX

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

		2023	2022
		RMB'000	*RMB'000*
			(Restated)
Cost of inventories sold		**755,585**	1,202,595
Cost of services provided		**41,945**	77,718
Depreciation of property, plant and equipment		**110,785**	84,913
Depreciation of right-of-use assets		**26,163**	29,585
Amortisation of intangible assets		**596**	2,583
Research and development costs:			
Current year expenditure		**1,933**	2,234
Lease payments not included in the measurement of lease liabilities		**5,482**	1,380
Auditor's remuneration		**3,508**	3,380
Employee benefit expense (including directors' remuneration):			
Wages and salaries		**166,569**	181,790
Pension scheme contributions		**20,422**	21,929
		186,991	203,719
Write-down/(reversal of write-down) of inventories to net realisable value		**4,269**	(30,088)
Impairment/(reversal of impairment) of trade receivables		**15,354**	(772)
Impairment/(reversal of impairment) of financial assets included in prepayments, deposits and other receivables		**24,370**	(2,443)
Provision for estimated loss from legal proceedings		**–**	35,411
Fair value losses/(gains) on investment properties		**2,400**	(39,979)
Impairment of goodwill		**2,756**	–
Impairment of investments in associates		**20,884**	–
Donation expense		**–**	7,152
(Reversal of impairment)/impairment of contracts assets		**(179)**	212
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties		**425**	806
Bank interest income	4	**(10,458)**	(3,103)
Interest income from an associate	4	**(51,425)**	(32,490)
Share of profits and losses of associates		**12,048**	(2,054)
Gain on disposal of right-of-use assets	4	**(515)**	(97)

6. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Interest on bank and other borrowings (including medium term bonds)	**126,913**	104,980
Interest on loans from related parties	**14,730**	12,085
Interest on lease liabilities	**3,027**	2,730
	144,670	119,795

7. INCOME TAX CREDIT

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year (2022: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Current – Mainland China		
Charge for the year	**3,945**	154,861
Adjustment in respect of current tax of previous periods	**(38,068)**	(39,992)
Deferred	**976**	(221,843)
Total tax credit for the year	**(33,147)**	(106,974)

8. DIVIDENDS

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Proposed final dividend – Nil (2022: Final dividend of HK1 cent per ordinary share)	**–**	23,493

The directors of the Company have resolved not to declare a final dividend for the year ended 31 December 2023 (2022: RMB23,493,000).

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic (loss)/earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue less shares held under share award scheme during the year of 2,483,566,389 (2022: 2,487,280,044).

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculations of basic and diluted (loss)/earnings per share are based on:

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
(Loss)/Earnings		
(Loss)/Profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculations	**(381,536)**	4,673

	Number of shares	
	2023	2022
		(Restated)
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)/earnings per share calculation	**2,483,566,389**	2,487,280,044

10. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Trade receivables	**258,320**	208,694
Impairment	**(21,942)**	(6,588)
	236,378	202,106

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

The trade receivables of RMB42,925,000 (2022: RMB49,215,000) which are due from related parties are unsecured, interest-free and repayable on demand.

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Within 1 year	**166,023**	199,932
1 to 2 years	**70,355**	2,135
Over 2 years	**–**	39
	236,378	202,106

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
At beginning of year	**6,588**	14,992
Impairment loss, net *(note 5)*	**15,354**	(772)
Amount written off as uncollectible	**–**	(6,699)
Exchange realignment	**–**	(933)
At end of year	**21,942**	6,588

11. TRADE PAYABLES

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Within 1 month	**87,801**	62,695
1 to 3 months	**52,501**	45,648
3 to 6 months	**19,600**	10,426
6 to 12 months	**33,921**	7,649
More than 1 year	**26,835**	1,960
	220,658	128,378

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

12. AMOUNTS DUE FROM ASSOCIATES/LOAN FROM AN ASSOCIATE/THE IMMEDIATE HOLDING COMPANY/THE ULTIMATE HOLDING COMPANY/NON-CONTROLLING INTERESTS/A DIRECTOR

As at 31 December 2023, the loan from an associate amounting to RMB53,000,000 is unsecured and bearing interest at a rate of 5.8% per annum, and repayable within one year. As at 31 December 2022, the loan from an associate amounting to RMB150,173,000 is unsecured, except for the aggregate amount of RMB157,000 which is interest-free, the remaining amounts bearing interest at a rate of 8.3% per annum, and repayable on demand or expected to be settled within one year.

As at 31 December 2023, the amounts due from associates is unsecured and repayable on demand or expected to be settled within one year. Except for the aggregate amount of RMB237,872,000 which is interest-free, the remaining amounts bear interest at a rate of range from 8% to 12.5% per annum.

As at 31 December 2022, the amounts due from associates is unsecured and repayable on demand or expected to be settled within one year. Except for the aggregate amount of RMB184,616,000 which is interest-free, the remaining amounts bear interest at a rate of 8% per annum.

As at 31 December 2023, the loan from the immediate holding company amounting to RMB95,113,000 is unsecured and bearing interest rate at a rate of 5.5% per annum and will be repayable after one year. As at 31 December 2022, the loan from the immediate holding company amounting to RMB144,497,000 is unsecured, bears interest rate at a rate of 5.5% per annum and will be repayable within one year.

As at 31 December 2023, the loan from the ultimate holding company amounting to RMB79,000,000 is unsecured and bearing interest rate at a rate of 8% per annum and will be repayable within one year.

As at 31 December 2023, the loan from non-controlling interests amounting to RMB45,013,000 is unsecured and bearing interest at a rate of 6.15% per annum and will be repayable within one year. As at 31 December 2022, the loan from non-controlling interests amounting to RMB41,478,000 is unsecured and bearing interest at a rate of 6.15% per annum, in which RMB5,300,000 will be repayable within one year.

As at 31 December 2023, the loan from a director amounting to RMB18,969,000 is unsecured, bears interest rate at a rate of 8% per annum and will be repayable within one year.

13. COMMITMENTS

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Contracted, but not provided for:		
Acquisition of equity investment	**–**	48,500
Property, plant and equipment	**–**	10,000
Construction in progress	**36,197**	3,403
	36,197	61,903

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2023, the Group recorded revenue of RMB827.9 million (2022: RMB1,461.0 million), representing a decrease of 43.3% from last year. The decrease in revenue was due to the discontinuation of commodities trading business by the Group during the year. The Group's overall gross profit margin decreased from 14.4% for 2022 to 3.2% for 2023 due to decreased gross profit margin of furniture and hotel business. For the furniture business, the gross profit margin decreased from 24.6% in 2022 to 7.4% in 2023 due to (i) discount promotion of the Company to boost sales and (ii) increased direct material cost.

Loss for the year was RMB386.0 million (2022: profit for the year of RMB10.6 million), representing a decrease of 3,727.5%. Loss attributable to owners of the parent for the year was RMB381.5 million (2022: profit attributable to owners of the parent of RMB4.7 million), representing a decrease of 8,264.7%. The significant decrease was a result of the Group's decreased gross profit, increased operating expenses, turnaround from gains to losses in fair value of investment properties, impairment of trade receivables and financial assets included in prepayments, deposits and other receivables, turnaround from share of profits to share of losses of associates and a reduction in reversal of over-provision of income tax.

For the year ended 31 December 2023, selling and distribution expenses increased by 44.9% to approximately RMB165.4 million (2022: RMB114.1 million), which was mainly due to significant increase in sales promotional activities, such as new store promotion, expansion of home exhibition scale and recruiting of franchisees, in order to increase market share and increased in commission.

Administrative expenses increased by 20.6% to RMB157.2 million (2022: RMB130.4 million), which was mainly attributable to increased consultancy fee and guarantee fee for bank and other loan financing.

Finance costs during the year increased by 20.8% to RMB144.7 million (2022: RMB119.8 million) due to increased in average borrowings and average interest rate during the year.

Share of profits and losses of associates during the year turnaround from share of profits of RMB2.1 million for the year ended 31 December 2022 to share of losses of RMB12.0 million for the year ended 31 December 2023, which was mainly attributable to share of loss of Guangzhou Gangke Real Estate Co., Ltd* ("Gangke", 廣州港科置業有限公司) during the year.

An income tax credit of RMB33.1 million (2022: RMB107.0 million) has been recorded for the year ended 31 December 2023, which mainly represented adjustment in respect of current tax of previous periods.

* *For identification purposes only*

BUSINESS REVIEW

With the pandemic impact receding in 2023, Chinese social life and economic activities are gradually returning to normal, marking the beginning of a new era after the pandemic in the People's Republic of China (the "**PRC**"). The Central Government's policies promoting consumption have stabilized the economic system, yet due to ongoing recovery in consumer demand and a weak real estate sector, the recovery of consumer durables, such as furniture products, has been even slower.

The Group endeavored to secure more business and projects from large commercial customers and sales from distributors in order to maintain its business scale by increasing discounts during the year.

Besides, the Group has dedicated the year to strategically developing a comprehensive range of home products to cater to diverse market needs. The Group aims to capture current market demands by offering a variety of products to the public. Concurrently, the Group is constantly deepening the sustainable development of its home furnishings divisions, including sofa, custom-made furniture, high-end finished furniture and sleep product divisions.

Throughout the year, the Group continued to enhance its offline distribution network by attracting high-quality distributors while phasing out low-quality ones. Adjustments were made according to market demands, resulting in a net increase of 1.7% to 1,942 sales outlets by year-end compared to the same period last year. Facing the slowdown in real estate market sales and the trend of consumers delaying purchases of large furniture items, the Group has adjusted product prices and offers to maintain competitiveness and market share, and also significantly increased promotional activities and discounts, resulting in lower gross margins and higher operating expenses. Under prudent financial considerations, the Group's overall impairment of trade receivables, other receivables and inventories increased during the year.

The collaboration with strategic shareholder Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司) (the "Science City", together with its subsidiaries referred to as the "Science City Group") is deepening. Leveraging Science City Group's extensive political and business network, the Group achieved significant growth in furniture projects during the year, partially offsetting the decline in franchise sales. The Group is actively advancing project cooperation with commercial customers, expanding the scale and variety of furniture projects. As one of Huawei Group's designated furniture suppliers, we provide high-quality custom-made furniture, sofas, and movable furniture to multiple Huawei bases, along with comprehensive after-sales services, adhering to the concept of providing "healthy, safe, comfortable, and elegant" products and creating an ideal working and living environment for Huawei employees.

* *For identification purposes only*

In the third quarter of 2023, the Group's hotel located in Xiancun Town, Zengcheng District, Guangdong Province, completed an upgrade and optimization, re-entering the market with a brand-new image. The hotel added several unique facilities and events, and hosted multiple large corporate events in the latter half of 2023, which were well-received by commercial clients and a wide range of travelers. The optimization of such hotel during the year reduced the number of its operating days, and due to the fixed depreciation cost of the properties, the gross profit margin of hotel business dropped significantly, but is expected to improve as the hotel has been fully put into operation in the third quarter.

During the year, the Group reorganized its business structure and ceased the commodity trading business, resulting in a significant decrease in revenue due to the change of structure.

Inventory and prepayments, deposits and other receivables

The Group's inventory increased by 21.4% to approximately RMB302.4 million as at 31 December 2023 (2022: RMB249.1 million), which was mainly due to increased number of furniture projects in progress. Prepayments, deposits and other receivables decreased by 12.0% to RMB404.0 million (2022: RMB459.3 million), which was mainly due to reduction in deposits for acquisition of subsidiaries and decrease in prepayments for raw materials, partially set off by increase in other receivables.

Working capital

The Group had net current liabilities of RMB96.1 million at the end of the year (2022: net current assets of RMB284.0 million). The Group will continue to take initiatives to manage its cashflow and capital commitments. As of mid-March 2024, the Group's cash and cash equivalents was approximately RMB117.2 million. In addition, the Group had restricted cash of approximately RMB149.0 million. As such, there are sufficient funds to effectively support the operations of the Group.

Liquidity and financial resources

The Group had cash and cash equivalents amounted to RMB29.3 million as at 31 December 2023 (2022: RMB356.8 million). As at 31 December 2023, the Group's current ratio (current assets to current liabilities) decreased to 0.96 (2022: 1.16) and the net current liabilities amounted to RMB96.1 million (2022: net current assets of RMB284.0 million). As at 31 December 2023, the interest-bearing bank and other borrowings amounted to RMB2,389.9 million (2022: RMB2,250.4 million), all denominated in Renminbi, loan from the immediate holding company, loan from the ultimate holding company, loan from an associate, loan from non-controlling interests, loan from a director and medium term bonds are total amount of RMB328.6 million (2022: loan from the immediate holding company, loan from an associate, loan from non-controlling interests and medium term bonds are total amount of RMB370.4 million). Approximately 98% 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 has been minimal since 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.

Gearing ratio

The gearing ratio is defined as net debt divided by capital plus net debt, amounted to 66% as at 31 December 2023 (2022: 56%).

PROSPECT

In 2024, during the 2nd session of the 14th National People's Congress, the Chinese Government work report proposed to address real estate risks through targeted measures to maintain stability in the overall economic and financial situation. It also aimed to accelerate the construction of a new model for real estate development, revitalizing related markets. Some cities have already implemented policies to relax property purchase restrictions. At the same time, the Government indicated that future real estate industry development would focus on advancing the "Three Major Projects": construction of affordable housing, "dual-purpose" public infrastructure, and urban village renovation as primary areas. The Group believes that with favorable policies promoting the healthy and stable development of the real estate market, the home furniture industry and its related upstream and downstream sectors are expected to continue recovering. The Group will continue to flexibly adapt to the complex environment, leveraging the latest economic activation policies from the Central government, its strong strategic partnership with Science City Group, and its extensive experience and advantages in furniture projects to seize market opportunities.

Looking ahead, the Group will actively promote cooperation projects with commercial clients and participate in more government-led projects through bidding, expanding the scope and variety of furniture project business to enhance the Group's revenue and market share. Additionally, the Group will continue to integrate franchisee management, segmenting based on regional characteristics, promoting resource sharing within regions, assisting franchisees in cost reduction, thereby improving the efficiency and profitability of the entire sales network.

In the face of the high-interest cycle, the Group will strive to reduce debt expenses, aiming to convert high-interest short-term debt into lower-interest long-term debt. Simultaneously, we will optimize fixed asset structures, revitalize assets, and achieve higher-quality asset returns.

The Group fully recognizes the challenges on the path to economic recovery. Nevertheless, based on its long-standing brand advantages, shareholder strengths, and years of operating experience in the PRC, the Groups firmly believe in its ability to further tap into the comprehensive home industry in the PRC, developing a more effective and flexible business model. The Group will patiently await opportunities, expanding business diversity at the right time, enhancing its overall competitiveness, and maximizing shareholder value.

EVENTS AFTER THE END OF THE REPORTING PERIOD

In view of the adjustment to the household products production and development project (phase 2) on the site located in Guangde (Yingde) Industrial Park (the "Project") due to re-alignment of production lines, on 24 January 2024, Guangdong Hengcheng Furniture Ltd.* (廣東恒誠傢俬有限公司) (an indirect wholly-owned subsidiary of the Company) entered into a supplemental construction agreement with Science City (Guangzhou) Architecture and Construction Co., Ltd.* (科學城(廣州)建築工程有限公司) and Guangzhou Construction Industry Development Co., Ltd.* (廣州建築產業開發有限公司), pursuant to which it was agreed that the total consideration for the provision of construction services for the construction of the Project shall be reduced to RMB51,676,662.62 (inclusive of tax). For details, please refer to the announcement of the Company dated 24 January 2024.

Saved as disclosed in this announcement, there are no significant events affecting the Group after the year ended 31 December 2023 and up to the date of this announcement.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 2023.

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

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
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 the Gangke held by Wanlibao to secure the repayment of bank loan by Gangke	N/A	N/A	N/A	N/A	RMB216.71 million
4. Gangke[4]	Maximum RMB32.5 million	Share pledge 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) over the 40% equity interests in the Gangke held by Wanlibao to secure the repayment of bank loan by Gangke	N/A	N/A	N/A	N/A	RMB7.74 million
Total	RMB1,114.5 million						RMB224.45 million

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横嶺村) 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, the parties have agreed and confirmed the provision of a shareholder's loan (the "Shareholder's Loan") in the principal amount of up to RMB732 million and that certain previous contributions made shall be deemed to be and construed as advances provided by Wanlibao to Gangke under the Shareholder's Loan (and the date of such advances shall be deemed to be and construed as the date of drawdown under the Shareholder's Loan).

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

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

(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 pledge over 40% of the equity interest in Gangke held by Wanlibao 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 pledge agreement dated 21 August 2023 entered into between Wanlibao as pledgor and the lender as pledgee to secure the repayment of a maximum loan amount of RMB32.5 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.

A statement of financial position of the affiliated company as at 31 December 2023 required to be disclosed under Rule 13.22 of the Listing Rules is set out below:

	Statement of financial position	**Group's attributable interests**
	RMB'000	*RMB'000*
Current assets	4,690,026	1,876,010
Non-current assets	386	154
Current liabilities	2,223,951	889,580
Non-current liabilities	677,406	270,962
Net assets	1,789,055	715,622

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, the Group had approximately 1,358 staff. The Group offers competitive remuneration schemes to its employees based on industry practices, legal requirements, as well as the employees' and the Group's performance. In addition, share awards and discretionary bonuses are granted to eligible employees based on the employees' performance, the Group's results, and in accordance with the performance share award plan of the Company. Mandatory provident fund or staff pension schemes are also provided to relevant staff in accordance with relevant legal requirements. The Group also provides training to the staff to improve their skills and develop their respective expertise.

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

The following is an extract of independent auditor's report issued by the Company's independent auditor:

Opinion

We have audited the consolidated financial statements of Royale Home Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position as at 31 December 2023, 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 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") 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.

Material uncertainty related to going concern

We draw attention to note 2.1 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB386 million for the year ended 31 December 2023 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB96 million, while its cash and cash equivalents amounted to RMB29 million. This condition, along with the current situation as set forth in note 2.1, indicates 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.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

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

Code Provision C.2.1 of the CG Code provides that the roles of Chairman and chief executive officer ("CEO") should be separate and should not be performed by the same individual. During the year ended 31 December 2023, Mr. Yang Jun (from 1 January 2023 to 1 December 2023) and Mr. Lin Ruhai (after 1 December 2023) have taken both the positions as Chairman and CEO. Each of Mr. Yang Jun and Mr. Lin Ruhai (as the case may be), in addition to his duties as Chairman, was also be responsible for the corporate strategic planning and overall business development of the Group as CEO. Each of Mr. Yang Jun and Mr. Lin Ruhai (as the case may be) has extensive experience and his duties of overseeing the Group's operations are considered to be beneficial to the Group. The Company considers having each of Mr. Yang Jun and 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.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted for compliance by the directors and relevant employees the code of conduct for dealings in securities of the Company as set out in Appendix C3 – Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") to the Listing Rules. The Company, having made specific enquiry, confirms that members of the Board complied throughout the year with the Model Code.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit of loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Company's auditors, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company's auditors on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written term of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, accounting principles, risk management and internal control systems of the Group and to review and monitor the appointment of the auditors and their independence. The Audit Committee has also held meeting with the Group's external auditors without the presence of executive directors and management of the Group, to discuss matters arising from the auditing, internal controls and financial reporting, including the review of the annual results for the year ended 31 December 2023, and report to the Board of material issues, if any, and make recommendations to the Board. The Audit Committee consists 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 Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2023.

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 during the year under review.

DIVIDENDS

The Board has resolved not to declare a final dividend for the year ended 31 December 2023 (2022: HK1 cent per share for final dividend).

ANNUAL GENERAL MEETING AND CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 11 June 2024 to Friday, 14 June 2024, both days inclusive. In order to be eligible to attend and vote at the forthcoming annual general meeting to be held on Friday, 14 June 2024, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Tengis Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Friday, 7 June 2024.

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 results announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Company (www.royale.todayir.com) and the Stock Exchange (www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and make available on the abovementioned websites in due course.

By order of the Board
Royale Home Holdings Limited
Lin Ruhai
Chairman, Executive Director and Chief Executive Officer

Hong Kong, 28 March 2024

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