REGAL PARTNERS

REGAL PARTNERS HOLDINGS LIMITED
皇庭智家控股有限公司

(Formerly known as Morris Home Holdings Limited)
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1575)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

FINANCIAL HIGHLIGHTS

- Revenue decreased by approximately 36.4% to approximately RMB119.5 million in 2024 (2023: approximately RMB188.0 million)
- The Group recorded a gross profit of approximately RMB27.9 million in 2024 (2023: approximately RMB69.5 million)
- The Group's loss for the year increased by approximately 239.5% to approximately RMB88.6 million in 2024 (2023: approximately RMB26.1 million)
- Basic loss per share was approximately RMB3.28 cents in 2024 as compared with basic loss per share of approximately RMB0.92 cents in 2023
- The Board did not recommend the payment of a final dividend (2023: RMBnil) for the year ended 31 December 2024

The board (the "**Board**") of directors (the "**Directors**") of Regal Partners Holdings Limited (formerly known as Morris Home Holdings Limited) (the "**Company**") announces the consolidated final results (the "**Final Results**") of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2024 ("**2024**" or the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2023 ("**2023**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

	Notes	**2024**	2023
		RMB'000	*RMB'000*
Revenue	4	**119,507**	187,975
Cost of sales		**(91,657)**	(118,511)
Gross profit		**27,850**	69,464
Other income and gains, net	5	**1,963**	2,969
Gain on debt restructuring	5	**54,090**	92,434
Allowance for expected credit losses in respect of financial assets carried at amortised cost, net		**(60,826)**	(32,605)
Loss arising on fair value change of financial asset at fair value through profit or loss ("**FVTPL**")		**(1,616)**	(9,712)
Selling and distribution expenses		**(32,983)**	(48,743)
Administrative expenses		**(45,765)**	(64,910)
Other expenses and losses		**(11,465)**	(21,038)
Finance costs	6	**(19,891)**	(13,989)
Loss before tax	7	**(88,643)**	(26,130)
Income tax credit	8	**66**	68
Loss for the year		**(88,577)**	(26,062)
Other comprehensive income:			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements		**5,492**	1,171
Reclassification of cumulative exchange fluctuation reserve upon disposal of subsidiaries		**–**	3,321
Other comprehensive income for the year, net of income tax		**5,492**	4,492
Total comprehensive loss for the year		**(83,085)**	(21,570)

	Notes	2024 RMB'000	2023 RMB'000
Loss attributable to:			
Owners of the Company		**(87,656)**	(24,728)
Non-controlling interests		**(921)**	(1,334)
		(88,577)	(26,062)
Total comprehensive loss attributable to:			
Owners of the Company		**(82,155)**	(19,726)
Non-controlling interests		**(930)**	(1,844)
		(83,085)	(21,570)
Loss per share attributable to owners of the Company			
Basic *(RMB cents)*	9	**(3.28)**	(0.92)
Diluted *(RMB cents)*	9	**(3.28)**	(0.92)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2024

	Notes	**31 December 2024 RMB'000**	31 December 2023 RMB'000 (Restated)	1 January 2023 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment		**1,601**	5,802	6,505
Financial asset at FVTPL		**–**	1,604	–
Right-of-use assets		**22,789**	35,628	43,656
Total non-current assets		**24,390**	43,034	50,161
CURRENT ASSETS				
Inventories		**19,031**	26,917	25,411
Trade receivables	11	**16,734**	17,412	33,142
Prepayments, deposits and other receivables		**12,970**	15,584	64,695
Amount due from a shareholder		**–**	–	345
Amounts due from related companies		**120,040**	176,258	185,527
Pledged bank deposits		**21**	21	33
Restricted bank balances		**165**	–	–
Cash and cash equivalents		**3,999**	4,753	7,590
Total current assets		**172,960**	240,945	316,743
CURRENT LIABILITIES				
Trade payables	12	**28,872**	46,073	143,936
Contract liabilities		**3,356**	7,210	11,052
Other payables and accruals		**40,179**	93,437	100,260
Amounts due to related companies		**45,281**	44,534	62,173
Interest-bearing bank and other borrowings		**196,917**	109,457	69,235
Warranty provision		**459**	943	455
Lease liabilities		**11,406**	20,738	25,133
Derivative financial instruments		**–**	75	372
Convertible loan		**29,833**	40,054	60,565
Income tax payables		**2,932**	2,935	2,863
Total current liabilities		**359,235**	365,456	476,044
NET CURRENT LIABILITIES		**(186,275)**	(124,511)	(159,301)
TOTAL ASSETS LESS CURRENT LIABILITIES		**(161,885)**	(81,477)	(109,140)

	31 December 2024	31 December 2023	1 January 2023
	RMB'000	*RMB'000*	*RMB'000*
		(Restated)	(Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	**53,696**	53,696	–
Lease liabilities	**19,143**	17,358	22,319
Total non-current liabilities	**72,839**	71,054	22,319
Net liabilities	**(234,724)**	(152,531)	(131,459)
DEFICIT IN EQUITY			
Share capital	**19,212**	19,212	19,212
Reserves	**(253,006)**	(165,462)	(146,234)
Deficit in equity attributable to owners of the Company	**(233,794)**	(146,250)	(127,022)
Non-controlling interests	**(930)**	(6,281)	(4,437)
Total deficit in equity	**(234,724)**	(152,531)	(131,459)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. CORPORATE AND GROUP INFORMATION

Regal Partners Holdings Limited (formerly known as Morris Home Holdings Limited) (the "**Company**", together with its subsidiaries as the "**Group**") is an exempted company with limited liability incorporated in the Cayman Islands. The registered office address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 3103, 31 Floor, Trendy Centre, 682 Castle Peak Road, Cheung Sha Wan, Kowloon, Hong Kong.

On 19 July 2024, the English name of the Company has been changed from "Morris Home Holdings Limited" to "Regal Partners Holdings Limited", and its Chinese name of "慕容家居控股有限公司" has been replaced by "皇庭智家控股有限公司" as the dual foreign name in Chinese of the Company.

The shares of the Company have been listed on the Main Board of The Stock Exchange of Hong Kong Limited since 12 January 2017.

The Company is an investment holding company. During the year, the principal activities of the Group are the manufacture and sale of sofas and other furniture products.

In the opinion of the directors, the holding company and the ultimate holding company of the Company is Century Icon Holdings Limited, which is incorporated in the British Virgin Islands (the "**BVI**") and the ultimate controlling party is Mr. Tse Kam Pang, who is also the Chairman and an executive director of the Company.

2.1 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rules**") and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

Going concern

The Group incurred a loss attributable to owners of the Company of approximately RMB87,656,000 for the year ended 31 December 2024 and as at 31 December 2024, the Group had net current liabilities and net liabilities of approximately RMB186,275,000 and RMB234,724,000 respectively. These conditions may cast significant doubt on the Group's ability to continue as a going concern. Therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of the above circumstances, the directors of the Company have given careful consideration to the future liquidity and financial position of the Group and its available sources of financing in assessing whether the Group will have sufficient financial resources to continue as a going concern. Certain plans and measures have been taken to deal with these conditions and to mitigate the liquidity position and improve the financial position of the Group. These plans and measures include, but are not limited to, the followings:

(i) The substantial shareholder of the Company, Mr. Tse Kam Pang, has provided to the Company an unsecured loan facility in the principal amount of up to HK$200,000,000 to provide funds to the Group in order to enable the Group to continue as a going concern and to settle its liabilities as and when they fall due. As at 31 December 2024, the unutilised portion of this loan facility amounted to approximately HK$63,995,000.

    Mr. Tse Kam Pang has undertaken to provide continuous financial support to the Group to enable it to meet its liabilities and to pay financial obligations to third parties as and when they fall due so that the Group can continue as a going concern and carry on its business without significant curtailment of operations and will not demand repayment of his loans granted to the Group, which amounted to approximately RMB118,675,000 as at 31 December 2024, for the next twelve months from the date of approval of the consolidated financial statements;

(ii) The Group will take steps to obtain external sources of funding in order to improve the working capital and liquidity and cash flow position of the Group;

    On 19 March 2025, the Company completed the placing of 550,000,000 placing shares at the placing price of HK$0.051 per share, raising net proceeds (after deducting commission and other relevant costs and expenses) of approximately HK$27,801,000; and

(iii) The Group is taking measures to tighten cost controls and speed up collection of trade and other receivables with an aim to attain positive cash flows from its operations.

The directors of the Company 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 they fall due within twelve months from the date of approval of the consolidated financial statements. Accordingly, the directors of the Company are satisfied that it is appropriate to prepare the consolidated financial statements using the going concern basis on the assumption that the plans and measures described above will be successfully implemented.

Notwithstanding the above, since the execution of the above plans and measures in progress and their eventual outcome is uncertain, material uncertainties exist as to whether management of the Group will be able to carry out its plans and measures as described above. Therefore, there is a material uncertainty related to events or conditions described above that may cast significant doubt on the Group's ability to continue as a going concern and that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The ability of the Group to continue as a going concern would depend upon the following:

(i) the financial capacity of Mr. Tse Kam Pang, a controlling shareholder of the Company, to provide continuous financial support to the Group for the next twelve months from the date of approval of the consolidated financial statements;

(ii) the Group's success in obtaining additional external funding to improve the cashflow position of the Group; and

(iii) the Group's success to tighten cost controls and speed up collection of trade and other receivables to generate positive operating cashflows.

Should the going concern assumption be inappropriate, adjustments may have to be made to reflect the situation that assets may need to be realised other than at the amounts at which they are currently carried in the consolidated statement of financial position. The effects of these adjustments have not been reflected in the consolidated financial statements.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

Except as described below, the application of the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (the "2020 Amendments") and Amendments to HKAS 1 Non-current Liabilities with Covenants (the "2022 Amendments")

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

The Group has reassessed the terms and conditions of its liabilities as at 1 January and 31 December 2023 upon initial application of the amendments. As at 1 January and 31 December 2023, the Group had outstanding convertible loan with carrying amounts of RMB60,565,000 and RMB40,054,000, respectively. Prior to the initial application of the amendments, certain portion of the convertible loan was classified as non-current liabilities. Upon initial application of the amendments, the convertible loan was entirely reclassified as current liabilities since the conversion options were not classified as equity and are exercisable at any time at the option of the holders. The quantitative impact on the consolidated statements of financial position is summarised below:

	31 December 2023 (Originally stated) *RMB'000*	Adjustment *RMB'000*	31 December 2023 (Restated) *RMB'000*
CURRENT LIABILITIES			
Convertible loan	26,567	13,487	40,054
Total current liabilities	351,969	13,487	365,456
NET CURRENT LIABILITIES	(111,024)	(13,487)	(124,511)
TOTAL ASSETS LESS CURRENT LIABILITIES	(67,990)	(13,487)	(81,477)
NON-CURRENT LIABILITIES			
Convertible loan	13,487	(13,487)	–
Total non-current liabilities	84,541	(13,487)	71,054

	1 January 2023 (Originally stated) *RMB'000*	Adjustment *RMB'000*	1 January 2023 (Restated) *RMB'000*
CURRENT LIABILITIES			
Convertible loan	21,492	39,073	60,565
Total current liabilities	436,971	39,073	476,044
NET CURRENT LIABILITIES	(120,228)	(39,073)	(159,301)
TOTAL ASSETS LESS CURRENT LIABILITIES	(70,067)	(39,073)	(109,140)
NON-CURRENT LIABILITIES			
Convertible loan	39,073	(39,073)	–
Total non-current liabilities	61,392	(39,073)	22,319

The application of the amendments did not have any impact on the basic and diluted loss per share attributable to owners of the Company, profit or loss, other comprehensive income and the consolidated statements of cash flows for the years ended 31 December 2024 and 2023.

2.3 NEW AND AMENDMENTS TO HKFRSs IN ISSUE BUT NOT YET EFFECTIVE

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments[3]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[1]
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11[3]
Amendments to HKAS 21	Lack of Exchangeability[2]
HKFRS 18	Presentation and Disclosure in Financial Statements[4]
Amendments to HK Interpretation 5	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause[4]

[1] Effective for annual periods beginning on or after a date to be determined.
[2] Effective for annual periods beginning on or after 1 January 2025.
[3] Effective for annual periods beginning on or after 1 January 2026.
[4] Effective for annual periods beginning on or after 1 January 2027.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SEGMENT INFORMATION

Information reported to the Board, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. This is also the basis upon which the Group is organised and managed.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

a. Retail segment

b. Manufacturing segment

Segment revenue and results

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

	Retail segment		Manufacturing segment		Elimination of intersegment sales		Total	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment revenue								
External sales	**36,144**	58,644	**83,363**	129,331	**–**	–	**119,507**	187,975
Internal sales	**–**	–	**–**	4,311	**–**	(4,311)	**–**	–
	36,144	58,644	**83,363**	133,642	**–**	(4,311)	**119,507**	187,975
Segment (loss)/profit	**(16,792)**	(11,673)	**(47,191)**	19,859	**–**	–	**(63,983)**	8,186
Interest income							**22**	63
Gain arising on fair value change of derivative financial instruments							**76**	305
Loss on deregistration of a subsidiary							**–**	(3,952)
Loss arising on fair value change of financial asset at FVTPL							**(1,616)**	(9,712)
Unallocated corporate income							**294**	–
Unallocated corporate expenses							**(20,059)**	(17,479)
Unallocated finance costs							**(3,377)**	(3,541)
Loss before tax							**(88,643)**	(26,130)

Segment (loss)/profit represents the (loss)/profit from each segment without allocation of interest income, gain arising on fair value change of derivative financial instruments, loss on deregistration of a subsidiary, loss arising on fair value change of financial asset at FVTPL, unallocated corporate income, unallocated corporate expenses, and unallocated finance costs. This is the measure reported to the Board for the purposes of resource allocation and performance assessment.

Inter-segment sales are charged at prevailing market rates.

Segment assets and liabilities

	Retail segment		Manufacturing segment		Consolidated	
	2024	2023	**2024**	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Segment assets	**22,365**	29,677	**137,777**	216,186	**160,142**	245,863
Unallocated corporate assets					**37,208**	38,116
Consolidated assets					**197,350**	283,979
Segment liabilities	**38,433**	32,535	**326,376**	335,039	**364,809**	367,574
Unallocated corporate liabilities					**67,265**	68,936
Consolidated liabilities					**432,074**	436,510

For the purpose of monitoring segment performances and allocating resources between segments:

- all assets are allocated to operating segments other than certain right-of-use assets, certain prepayments, deposits and other receivables, certain amounts due from related companies, financial asset at FVTPL and certain cash and cash equivalents; and

- all liabilities are allocated to operating segments other than certain other payable and accruals, certain amounts due to related companies, certain other borrowings, certain lease liabilities, derivative financial instruments and convertible loan.

Other segment information

	Retail segment		**Manufacturing segment**		**Unallocated**		**Total**	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Addition of right-of-use assets	**14,468**	7,510	**9,097**	16,320	**1,172**	–	**24,737**	23,830
Addition of property, plant and equipment	**39**	135	**741**	3,859	**56**	–	**836**	3,994
Depreciation of property, plant and equipment	**398**	517	**2,745**	3,190	**–**	–	**3,143**	3,707
Depreciation of right-of-use assets	**9,497**	10,355	**10,130**	15,974	**893**	–	**20,520**	26,329
(Reversal of provision)/provision against obsolete and slow-moving inventories	**(13)**	(11)	**504**	(27,610)	**–**	–	**491**	(27,621)
(Reversal of allowance for)/allowance for expected credit losses in respect of trade receivables, net	**(402)**	(60)	**1,594**	16,509	**–**	–	**1,192**	16,449
(Reversal of allowance for)/allowance for expected credit losses in respect of deposits and other receivables, net	**(31)**	(16)	**1,438**	15,989	**3**	1	**1,410**	15,974
Allowance for expected credit losses in respect of amounts due from related companies, net	**–**	–	**55,925**	134	**2,299**	48	**58,224**	182
Impairment loss on property, plant and equipment	**–**	–	**–**	–	**56**	–	**56**	–
Impairment loss on right-of-use assets	**6,292**	–	**–**	–	**–**	–	**6,292**	–
Written off of property, plant and equipment	**727**	102	**483**	–	**–**	–	**1,210**	102
Loss/(gain) on disposal of property, plant and equipment	**2**	(61)	**235**	539	**–**	–	**237**	478
Gain on termination of leases	**–**	–	**(567)**	(1,299)	**(294)**	–	**(861)**	(1,299)
Finance costs	**1,470**	1,702	**15,044**	8,746	**3,377**	3,541	**19,891**	13,989

Geographical information

The following table sets out information about the geographical locations of the Group's revenue from external customers during the year and the Group's non-current assets.

(a) Revenue from external customers

The geographical locations of the customers are determined based on the locations of customer.

	2024	2023
	RMB'000	*RMB'000*
People's Republic of China (including Hong Kong)	**42,311**	65,947
The United States of America ("**U.S.**")	**28,209**	60,471
Europe *(Note)*	**32,450**	50,012
Others	**16,537**	11,545
	119,507	187,975

Note: Europe mainly include France, Norway, Spain, Ireland and the United Kingdom ("**U.K.**").

(b) Non-current assets

	2024	2023
	RMB'000	*RMB'000*
People's Republic of China (including Hong Kong)	**2,289**	39,485
U.S.	**17,900**	3,438
U.K.	**–**	111
Cambodia	**4,201**	–
	24,390	43,034

The non-current asset information above is presented based on the locations of the assets.

Information about major customers

Revenue from major customers which did not consist any Zou Entities of the corresponding year contributing over 10% of the total revenue of the Group is as follows:

	2024	2023
	RMB'000	*RMB'000*
Customer 1	**14,243**	N/A*
Customer 2	**16,476**	46,951

* Revenue from the customer is less than 10% of the total revenue of the Group.

4. REVENUE

Revenue represents the net invoiced value of goods sold, after allowances for returns, trade discounts and value-added tax.

	2024	2023
	RMB'000	*RMB'000*
Revenue		
Recognised at a point of time:		
Manufacture and sales of sofas and other furniture products	**119,507**	187,967
Commission income	**–**	8
	119,507	187,975

As at 31 December 2024, the aggregate amount of the transaction price allocated to the remaining performance obligation under the Group's existing manufacture and sales of sofa and other furniture products is approximately RMB3,356,000 (2023: RMB7,210,000) and the Group will recognised this revenue in 2025.

5. OTHER INCOME AND GAINS, NET AND GAIN ON DEBT RESTRUCTURING

	2024	2023
	RMB'000	*RMB'000*
Other income and gains, net		
Interest income	**22**	63
Gain on termination of leases	**861**	1,299
Loss on disposal of property, plant and equipment	**(237)**	(478)
Gain on modification of lease	**–**	187
Government grants *(Note)*	**714**	17
Bad debt recovery	**269**	1,506
Others	**334**	375
	1,963	2,969

Note: During the year ended 31 December 2024, the Group recognised government grants from Innovation and Technology Fund under Hong Kong Government of approximately RMB688,000 (2023: nil) and industry subsidies from local governments in Zhejiang Province of approximately RMB10,000 (2023: RMB17,000). There are no unfulfilled conditions or contingencies relating to these grants.

Gain on debt restructuring

In relation to the pre-restructuring applications filed by Zhejiang Apollo Leather Products Co., Ltd. (浙江阿波羅皮革製品有限公司) and Zhejiang Morris Fashion Home Co., Ltd. (浙江慕容時尚家居有限公司) (collectively, the "**Relevant Subsidiaries**") with the People's Court of Haining City (the "**Court**") on 19 January 2022 for the formulation of pre-restructuring plans to resolve their debt positions.

Upon the pre-restructuring application and the appointment of the provisional administrators by the Court, on 13 May 2022, the Court accepted the restructuring application of the Relevant Subsidiaries on a consolidated basis (the "**Restructuring**").

The proposal for the Restructuring of the Relevant Subsidiaries (the "**Restructuring Proposal**") would become effective and binding on the Relevant Subsidiaries and all creditors subject to (a) the approval by a simple majority in number of the creditors present and voting at each of the creditors' class meetings, and the amount of debts of which creditors representing more than two-thirds in the total amount of debts in each of the classes of creditors; (b) the entering into of the subscription agreement between the potential subscriber and the Company; and (c) the approval of the Court. If the Restructuring Proposal is not passed at the creditors' meeting, or the Restructuring Proposal passed at the creditors' meeting is not approved by the Court, the Court will terminate the Restructuring procedures and declare the Relevant Subsidiaries insolvent.

The Group's Restructuring Proposal was passed by the requisite majority of creditors of the Relevant Subsidiaries at the meeting. The Restructuring Proposal has been sanctioned by the People's Court of Haining City in the PRC on 5 August 2022. Since then, the Restructuring Proposal became effective on 5 August 2022. The Restructuring Proposal administrators have received the preference indication forms from all Restructuring Proposal creditors and the admitted claims have been allocated in the following manner:

Under the terms of the Restructuring Proposal ("**Option A**"), full repayment of admitted claims will be made to the Option A creditors and the repayment date will be extended for a period of eight years beginning from the effective date on 5 August 2022. The Company will repay the outstanding debt by the repayment schedule of the following: In the sixth year, the Company shall make a repayment of not less than 20% of the remaining debt. In the seventh year, the Company shall make a repayment of not less than 30% of the remaining debt. In the eighth year, the Company shall repay the remaining outstanding debt.

Under the terms of the Restructuring Proposal ("**Option B**"), (1) for each creditor with a debt amount of less than RMB30,000 will be fully repaid in cash within three months from the date of court approval of the Restructuring Proposal; (2) for creditors with a debt amount of RMB30,000 or more, 20% of the portion exceeding RMB30,000 (excluding the principal) will be repaid. The Company will repay this portion in cash, based on a 20% proportion, within three months from the date of court approval of the restructuring plan; (3) any remaining unpaid debts will be transferred to a designated third party, as agreed upon by the transferring creditors. The transferring creditors agreed to transfer their rights and interests related to the unpaid portion of debts (including related joint guarantee rights and other subsidiary rights) to the designated third party assigned by Mr. Zou. Mr. Zou and the designated third party are willing to pay 30% of the transfer amount as the purchase price for the transferred debts. The specific payment method, deadline, and other details will be governed by the agreement between the creditors and Mr. Zou, and it is not within the scope of the Restructuring Proposal.

Under the terms of the Restructuring Proposal ("**Option C**"), (1) for each creditor with a debt amount of less than RMB30,000 will be fully repaid in cash within three months from the date of court approval of the Restructuring Proposal; (2) for creditors with a debt amount of RMB30,000 or more, 20% of the portion exceeding RMB30,000 (excluding the principal) will be repaid. The Company will repay this portion in cash, based on a 20% proportion, within three months from the date of court approval of the restructuring plan.

Pursuant to the Restructuring Proposal, the liabilities of the Restructuring Proposal, amounted to approximately RMB54,090,000 (2023: RMB292,290,000) have been discharged. Accordingly, a gain on debt restructuring of approximately RMB54,090,000 (2023: RMB92,434,000) has been recognised for the year ended 31 December 2024.

For more details, please refer to the announcements of the Company dated 19 January 2022, 22 April 2022, 13 May 2022 and 18 August 2022.

	2024	2023
	RMB'000	*RMB'000*
Liabilities assumed pursuant to the Restructuring Proposal:		
Trade payable	**–**	(50,751)
Other payables and accruals	**–**	(82,261)
Borrowings	**–**	(66,844)
	–	(199,856)
Liabilities discharged pursuant to the Restructuring Proposal:		
Trade payable	**–**	124,134
Other payables and accruals	**54,090**	101,312
Borrowings	**–**	66,844
	54,090	292,290
Gain on debt restructuring	**54,090**	92,434

6. FINANCE COSTS

	2024	2023
	RMB'000	*RMB'000*
Interest on bank and other borrowings	**13,974**	5,887
Interest on convertible loan	**3,152**	3,541
Interest on lease liabilities	**2,765**	4,561
	19,891	13,989

7. LOSS BEFORE TAX

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

	2024	2023
	RMB'000	*RMB'000*
Cost of inventories sold	**91,166**	146,132
Provision/(reversal of provision) against obsolete and slow-moving inventories	**491**	(27,621)
Cost of sales	**91,657**	118,511
Depreciation of property, plant and equipment	**3,143**	3,707
Depreciation of right-of-use assets	**20,520**	26,329
Impairment loss on property, plant and equipment	**56**	–
Impairment loss on right-of-use assets	**6,292**	–
Expense relating to short-term lease	**–**	1,360
Written off of property, plant and equipment**	**1,210**	102
Auditors' remuneration:		
Audit services	**1,260**	1,446
Employee benefit expenses (excluding directors' and chief executives remuneration):		
Salaries, wages and benefits in kind	**33,519**	48,374
Share-based payment	**469**	392
Pension scheme contributions*	**3,778**	5,044
	37,766	53,810
Allowance for expected credit losses in respect of trade receivables, net	**1,192**	16,449
Allowance for expected credit losses in respect of deposits and other receivables, net	**1,410**	15,974
Allowance for expected credit losses in respect of amounts due from related companies, net	**58,224**	182
Product warranty additional provision	**455**	943
Loss on deregistration of a subsidiary	**–**	3,952
Gain arising on fair value change of derivative financial instruments	**(76)**	(305)
Loss on sales of raw materials**	**3,317**	16,488
Exchange gain**	**(2,508)**	(151)

* At 31 December 2024, the Group had no forfeited contributions available to reduce its contributions to pension schemes in future years (2023: nil).

** The above items are included in "Other expenses and losses" line item of the consolidated statement of profit or loss and other comprehensive income.

8. INCOME TAX CREDIT

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

People's Republic of China ("**PRC**") subsidiaries are subject to the PRC Enterprise Income Tax at 25% during the year (2023: 25%).

Taxation in other jurisdictions are calculated at the rates prevailing in the respective jurisdictions. No provision has been made as no assessable profit for the years ended 31 December 2024 and 2023.

	2024	2023
	RMB'000	*RMB'000*
Current – Hong Kong		
– Over-provision in prior year	**(66)**	(68)
Tax credit for the year	**(66)**	(68)

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amount for the year ended 31 December 2024 was based on the loss for the year attributable to owners of the Company of approximately RMB87,656,000 (2023: RMB24,728,000), and the weighted average number of ordinary shares of 2,674,188,000 after excluding treasury shares (2023: 2,674,188,000) in issue during the year.

The computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible loan since their assumed exercise would result in a decrease in loss per share for both years.

10. DIVIDEND

The board of directors did not recommend the payment of dividend for the year ended 31 December 2024 (2023: nil).

11. TRADE RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Trade receivables from third parties	**53,890**	52,817
Less: allowance for expected credit losses	**(37,156)**	(35,405)
	16,734	17,412

The Group's trading terms with its customers are mainly on credit. The credit period for customers of the manufacturing segment is generally one to two months, extending up to three to four months for major customers, the credit period for customers of the retail segment is within one month. The Group does not hold any collateral over its trade receivables balances. Trade receivables are non-interest bearing.

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

	2024	2023
	RMB'000	*RMB'000*
Within 3 months	**9,857**	16,708
4 to 6 months	**5,023**	686
7 to 12 months	**1,854**	18
	16,734	17,412

12. TRADE PAYABLES

	2024	2023
	RMB'000	*RMB'000*
Trade payables to third parties	**28,872**	46,073

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

	2024	2023
	RMB'000	*RMB'000*
Within 1 month	**8,686**	17,778
1 to 3 months	**3,006**	7,167
4 to 6 months	**737**	3,533
Over 6 months	**16,443**	17,595
	28,872	46,073

The trade payables are non-interest-bearing. Trade payables are normally settled on terms of 30 to 180 days.

13. LITIGATION

On 11 June 2024, Zhejiang Muhua Home Furnishing Co., Ltd.* (浙江慕華家居有限公司) ("**Muhua**"), an indirect wholly-owned subsidiary of the Company, received a summons of the People's Court of Haining City (海寧市人民法院) (the "**Haining Court**") in the PRC returnable on 14 June 2024 for a pre-trial conference (the "**PTC**"), which has been adjourned to a later date to be fixed.

The PTC concerns a claim brought by Haining Morris International Fur Co., Ltd* (海寧慕容國際皮草有限公司) ("**Haining Fur**") against Muhua for (1) RMB3,000,000 paid by Haining Fur to China Merchants Bank Co., Ltd., Hangzhou Branch ("**CM Bank**") in its capacity as guarantor for two bank facilities (the "**Loans**") in the principal amount of RMB30,000,000 each provided by CM Bank to Zhejiang Morris Fashion Home Co., Ltd. (浙江慕容時尚家居有限公司) ("**Fashion Home**") and Zhejiang Apollo Leather Products Co., Ltd. (浙江阿波羅皮革製品有限公司) ("**Zhejiang Apollo**"), respectively; and (2) costs (the "**Claim**").

Fashion Home and Zhejiang Apollo (the "**Relevant Subsidiaries**") are companies established in the PRC with limited liability and indirect wholly-owned subsidiaries of the Company. Due to financial difficulties, the Relevant Subsidiaries initiated restructuring procedures, whereby a restructuring plan for the settlement of all the indebtedness of the Relevant Subsidiaries (the "**Restructuring Plan**") was formulated and sanctioned by the Haining Court in 2022 (the "**Restructuring**"). Pursuant to the Restructuring Plan, 20% of total outstanding amount under the Loans has been paid to CM Bank discharging the Relevant Subsidiaries' obligations.

CM Bank has sought a judgment from the People's Court of Shangcheng District, Hangzhou City (杭州市上城區人民法院) against Morris Group Co., Ltd. ("**Morris PRC**"), Haining Fur, Zhejiang Morris Shijia Real Estate Co., Ltd.* (浙江慕容世家地產有限公司) ("**Shijia Real Estate**"), Zou Gebing and Wu Xiangfei (collectively, the "**Guarantors**"), as guarantors or security providers, for the remaining outstanding amount under the facility granted to Zhejiang Apollo.

As alleged in the statement of civil claim dated 10 May 2024 (the "**SOC**") lodged by Haining Fur with the Haining Court, in view that both Muhua and the Relevant Subsidiaries are subsidiaries of the Company, the de facto controller of the Company before the Restructuring (i.e. Mr. Zou Gebing) and the investor introduced (i.e. the new controlling shareholder of the Company) after the Restructuring have reached a "consensus" that (i) the Loans shall remain a payment obligation of the Group as they were indebtedness of the Group; and (ii) Muhua shall provide a repayment undertaking to Haining Fur and the other Guarantors to such effect.

A written document entitled "承諾書 (Undertaking)" (the "**Alleged Undertaking**"), onto which the official seal of Muhua and the "round chop" of the Company were affixed, was included in the case bundle supporting the Claim prepared by Haining Fur. As stated in the Alleged Undertaking, Muhua has voluntarily agreed to perform the repayment obligations under the Loans and has irrevocably undertaken to (i) following the fulfilment of any repayment obligations (including guarantee and security obligations) under the Loans by any of the Guarantors, Muhua shall repay to the Guarantors the entire sum paid by them and costs within five (5) working days; and (ii) after such repayment, Muhua shall have no claim against the Guarantors of the Loans. It is stated in the SOC that Haining Fur has paid RMB3,000,000 to CM Bank in its capacity as a guarantor of the Loans and seeks the repayment of such amount from Muhua.

Based on the above circumstance, the Group has recognised provision for litigation liabilities of RMB3,000,000 in relation to the Claim.

The Group is seeking legal advice regarding the Claim and intends to strenuously defend the Claim.

* *For identification purposes only*

14. EVENTS AFTER THE REPORTING PERIOD

On 19 March 2025, the Company completed the placing of 550,000,000 placing shares to not less than six placees at the placing price of HK$0.051 per share to raise net proceeds (after deducting commission and other relevant costs and expenses) of approximately HK$27,801,000.

15. COMPARATIVE FIGURES

As disclosed in note 2.2, due to the adoption of the new and amendments to HKFRSs during the current year, certain comparative figures have been reclassified to conform with the current year's presentation and the disclosure requirements.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Throughout the Reporting Period, our key markets, spanning the United States, Europe, and China, reflected a prevailing atmosphere of consumer wariness, primarily influenced by pervasive global inflation and the intricate, ever-evolving geopolitical dynamics. Research showed that US consumers had mixed sentiments about the economy in the first three quarters. Concurrently, consumer optimism in five major European economies remained stable but witnessed a decline towards the conclusion of 2024. In China, the consumer price index hit a decade-low, while the GDP growth rate reached 5%, aligning with the national target. Amid a tumultuous economic backdrop, the major markets' furnishing sector grappled with formidable challenges due to subdued consumer demand for home acquisitions and the adornment of living spaces. In addition, heightened logistics costs during periods of geopolitical tensions have increased operating expenses, adding further strain to companies operating within the furniture industry.

During 2024, the Group faced considerable difficulties in navigating the complex market environment, particularly in recovering orders and costs control. For the year ended 31 December 2024, the Group's total revenue decreased by 36.4% year-on-year to approximately RMB119.5 million, which was mainly attributed to weakening disposable incomes in European and American households amid persistent inflation in these regions, consequently suppressing the demand for furniture products. The net loss of the Group amounted to approximately RMB88.6 million (2023: approximately RMB26.1 million).

In response to these significant market challenges, the Group implemented several strategic adjustments to bolster competitiveness and capture additional market share. Regarding the tariff restrictions on products made in China, the Group proactively expanded into Southeast Asian facilities. The newly established plant in Southeast Asia commenced production in the latter half of the year, swiftly garnering a substantial order book. We also maintained close dialogue with local government and the customers, remaining flexible to order dynamics, considering expansion of production capacities or new plant construction. Moreover, we also actively optimized our manufacturing layout and facilities, such as establishing a clean room (dust-free) in the plant tailored to Japanese client preferences. With operations in the new Southeast Asian plant and existing facilities in mainland China, our commitment lies in sustaining supply chain resilience to meet the evolving needs of our international clientele.

The Group prioritizes the alignment of its products with market needs and emphasizes product quality. Throughout the year, it has actively engaged with customers to design innovative and stylish sofa products, effectively capturing existing customer segments and expanding into new markets. In response to the ongoing increase in logistics costs, which has been pressuring customers, the Group has developed solutions including the design of innovative modular sofa products that can be freely assembled and configured inside shipping containers, thereby optimizing space utilization and transportation efficiency. Furthermore, the Group has introduced fashionable sofas made from environmentally friendly leather materials, demonstrating its commitment to a sustainable future.

Business development in the U.S., Europe and other potential markets

The U.S. and Europe remained as our major markets, which contributed to 23.6% and 27.2% of total revenue respectively. During the year, we actively adjusted our sales strategies in the U.S. market. Notably, we established a joint venture with a local renowned furniture brand to enhance market exposure, leveraging their exceptional sales capabilities and extensive network. This collaboration also enabled us to participate in more exhibitions, including the High Point Market in the United States, the largest home furnishing industry trade show, showcasing our products and expanding distribution channels, resulting in increased orders. Additionally, we invested in social media to promote our exquisite sofa products, achieving comprehensive market exposure.

Europe was another key market. During the Reporting Period, the Group continued to uncover market opportunities in the United Kingdom, France, Norway, Spain and Ireland. It also extended its reach into new market segments including Japan and Australia through its distribution network.

Retail business development on China and Hong Kong

During the year, the PRC market including Hong Kong contributed to 35.4% of total revenue. In a complex market environment, the Group conducted a thorough review of its Hong Kong retail operations. This led to the closure of underperforming stores, allowing for a more efficient reallocation of resources to other channels. As of December 2024, the Group had one flagship showroom in Mainland China. In Hong Kong, the Group had one self-operated retail store in Causeway Bay.

FINANCIAL REVIEW

For the year of 2024, the principal business activities of the Group comprise the manufacturing and sales of sofas and other furniture products.

During the year, the revenue of the Group amounted to approximately RMB119.5 million (2023: approximately RMB188.0 million), representing a decrease of approximately 36.4% as compared with last year. This decline was primarily due to ongoing inflationary pressures in Europe and the U.S., which have reduced consumers' disposable income and suppressed demand for non-essential good including furniture. There were indications that some European countries may be edging towards a technical recession, while a slowdown in U.S. economic growth could directly impact furniture consumption. Furthermore, the Red Sea shipping crisis has led to increased freight and insurance costs on Asia-Europe routes, causing delivery delays that have prompted customers to seek alternative local suppliers.

The net loss of the Group amounted to approximately RMB88.6 million during the year, representing an increase of approximately 239.5% as compared with the net loss of RMB26.1 million in last year. The increase in net loss is primarily due to a decrease in gains from restructuring, which declined by approximately RMB38.3 million (2024: RMB54.1 million; 2023: RMB92.4 million) compared to the previous year. Additionally, there was a one-off provision of approximately RMB58.2 million for the amounts due from related companies of the Group during the Reporting Period. The provision was made after considering the estimated recoverable amounts of the charged assets, leading to classification of certain amounts due form related companies as credit-impaired and recognition of lifetime expected credit loss on these balances. References are made to the 2023 annual report of the Company and the announcements of the Company dated 27 June 2024, 19 June 2024, 19 March 2024 and 9 February 2024 in relation to, amongst others, the amount due from entities which are controlled by Mr. Zou Gebing (the "**ZOU Entities**"). The auditors of the Company issued a qualified opinion in the 2023 annual report of the Company in respect of carrying amounts of the balances due from and to the ZOU Entities as at 31 December 2023 on the basis of inability to obtain sufficient appropriate audit evidence due to the uncooperative attitude of the ZOU Entities. In March 2024, the ZOU Entities denied the existence of and refused to repay the amount due from ZOU Entities claiming that such amount had been fully set off without providing sufficient and satisfactory evidence or justification. In view of the above, and taking into account the principle of prudence, provision of approximately RMB58.2 million has been made for the amounts due from the ZOU Entities. Despite the aforementioned provision, the Company is dedicated to and will, after taking the totality of circumstances into account (including but not limited to cost and benefits, success rate and effectiveness etc.), take all appropriate actions to recover and/or resolve the amount due from ZOU Entities and relevant issues, in order to safeguard the legitimate interest of the Company and its shareholders.

If excluding the provisions for financial assets, the net loss would have increased by approximately 16.5%, from approximately RMB26.1 million in 2023 to approximately RMB30.4 million in 2024.

The Company's basic and diluted loss per ordinary share was approximately RMB3.28 cents for the year of 2024 (2023: loss per ordinary share RMB0.92 cents) based on the loss for the year attributable to owners of the Company of approximately RMB87.7 million (2023: loss for the year RMB24.7 million), and the weighted average number of ordinary shares of 2,674,188,000 for the year of 2024 (2023: 2,674,188,000).

Cost of sales

The cost of sales of the Group decreased by approximately 22.6% from approximately RMB118.5 million in 2023 to approximately RMB91.7 million in 2024. The decrease imbalance was in line with the decrease in revenue.

Gross profit

The Group's gross profit for the year was approximately RMB27.9 million (2023: approximately RMB69.5 million), representing a decrease of approximately 60.0% as compared with last year. The gross profit margin decreased from 37.0% in 2023 to 23.3% in 2024. This decrease was primarily attributable to the increase in clearance sales during the year.

Other income and gains, net and gain on debt restructuring

The other income and gains, net and gain on debt restructuring of the Group decreased from approximately RMB95.4 million in 2023 to approximately RMB56.1 million in 2024. Such decrease was mainly due to the decrease in gain on debt restructuring.

Selling and distribution expenses

The selling and distribution expenses of the Group decreased by approximately 32.2% from approximately RMB48.7 million in 2023 to approximately RMB33.0 million in 2024. This decrease primarily reflected the Group's strategic move to close some branches in the U.S. and U.K., as well as retail stores in Hong Kong. It has facilitated a more efficient reallocation of resources towards alternative channels, such as collaboration with local distributors, rather than hiring local staff.

Administrative expenses

The administrative expenses of the Group decreased by approximately 29.4% from approximately RMB64.9 million in 2023 to approximately RMB45.8 million in 2024. This decrease primarily reflected a reduction in salaries and office supplies resulting from the closure of the branches in the U.S. and U.K..

Finance costs

The finance costs of the Group increased by approximately 42.1% from approximately RMB14.0 million in 2023 to approximately RMB19.9 million in 2024, which was primarily due to the increase in bank and other borrowings amounting to approximately RMB87.5 million.

Income tax credit

The income tax credit of the Group was approximately RMB0.1 million in 2024 (2023: approximately RMB0.1 million). The income tax credit was mainly attributable to the over-provision in prior year.

LIQUIDITY AND CAPITAL RESOURCES

Borrowing and pledge of assets

As at 31 December 2024, the Group's interest-bearing bank and other borrowings amounted to approximately RMB250.6 million, of which RMB118.7 million were unsecured shareholder loan repayable within one year or on demand. The bank and other borrowings' interest rates ranged between 5.0% to 8.0% per annum.

Gearing ratio

The gearing ratio of the Group is total debts (comprised of amounts due to related companies, lease liabilities, convertible loan and interest-bearing bank and other borrowings) divided by deficit in equity attributable to owners of the Company as at the end of the year and multiplied by 100%. Gearing ratio was not applicable as at 31 December 2024 and 2023.

Capital commitments

The Group did not have any capital commitment as at 31 December 2024 and 2023.

Contingent liabilities

The Group did not have any significant contingent liabilities as at 31 December 2024.

Trade receivables

The Group's trade receivables decreased to approximately RMB16.7 million as of 2024, compared to approximately RMB17.4 million in 2023. This decline is primarily attributable to an increase in the allowance for expected credit losses, which rose from approximately RMB35.4 million in 2023 to approximately RMB37.2 million in 2024.

Trade payables

The Group's trade payables decreased to approximately RMB28.9 million as of 31 December 2024, down from approximately RMB46.1 million in 2023. This reduction is primarily due to a decrease in purchases from the Group's suppliers during the fourth quarter of 2024 compared to 2023.

Foreign exchange exposure

Revenue from major customers is mainly from the U.S. and U.K. while the production facilities of the Group are mainly located in the PRC. Accordingly, most of the sales are denominated in U.S. dollar while the costs arising from the Group's operations are generally settled in RMB. As a result, fluctuations in the value of U.S. dollar against RMB could adversely affect the financial results of the Group. During 2024, the Group did not experience any material difficulties or impacts on its operations or liquidity as a result of currency exchange fluctuation. The Group will continue to monitor closely the exchange rate risk arising from its existing operations and new investments in the future. The Group will further implement the necessary hedging arrangement to mitigate any significant foreign exchange risk if and when appropriate.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during 2024.

SIGNIFICANT INVESTMENTS

The Group did not hold any significant investments as at 31 December 2024 save as those disclosed in this announcement.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no plan authorised by the Board for material investments or additions of capital assets at the date of this announcement.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's annual financial statements for the year ended 31 December 2024:

QUALIFIED OPINION

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group at 31 December 2024, 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 (the "**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR QUALIFIED OPINION

Scope limitation on balances with related companies

As disclosed in Note 31, included in amounts due from related companies and amounts due to related companies as at 31 December 2024 and 2023 were balances with entities which are controlled by Mr. Zou Gebing, a substantial shareholder of the Company, who holds 24.24% of shareholding interests in the Company ("**Zou Entities**"). As at 31 December 2024 and 2023, the carrying amounts of amounts due from Zou Entities, net of allowance for expected credit loss were approximately RMB120,040,000 and RMB176,199,000 respectively and the carrying amounts of amounts due to Zou Entities were approximately RMB45,281,000 and RMB44,534,000 respectively.

We were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the carrying amounts of the balances with Zou Entities as at 31 December 2024 and 2023 were not materially misstated because we were unable to obtain direct confirmations from Zou Entities or have access to the management or relevant personnel of Zou Entities. There were no other alternative audit procedures that we could carry out to obtain sufficient and appropriate audit evidence to satisfy ourselves about the existence, accuracy and completeness of these balances as at 31 December 2024 and 2023.

Furthermore, the Group has recognised allowance for expected credit loss on amounts due from Zou Entities of approximately RMB58,224,000 and RMB182,000 in consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2024 and 2023 respectively. The allowance for expected credit loss on amounts due from Zou Entities in the consolidated statement of financial position amounted to approximately RMB59,891,000 and RMB1,241,000 as at 31 December 2024 and 2023 respectively. We were unable to obtain the necessary financial, corporate, operating and business information about Zou Entities to support the impairment assessment of the amounts due from the Zou Entities as at 31 December 2024 and 2023.

As a result, we were unable to obtain sufficient appropriate audit evidence to satisfy ourselves that the (i) carrying amounts of the Group's balances with related companies as at 31 December 2024 and 2023; (ii) allowances for expected credit loss on amounts due from related companies recognised as at and for the years ended 31 December 2024 and 2023; and (iii) other elements and disclosures in the consolidated financial statements in relation to the balances with related companies included in the consolidated financial statements of the Group, were free from material misstatements. Any adjustments found to be necessary might have consequential significant impact on the profit or loss and other comprehensive income of the Group for the years ended 31 December 2024 and 2023, net liabilities of the Group as at 31 December 2024 and 2023 and the elements making up, and related disclosures in, the consolidated financial statements.

MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 2.1 in the consolidated financial statements, which indicates that the Group incurred a loss attributable to owners of the Company of approximately RMB87,656,000 for the year ended 31 December 2024 and as at 31 December 2024, the Group had net current liabilities and net liabilities of approximately RMB186,275,000 and RMB234,724,000 respectively. As stated in Note 2.1, these conditions, along with other matters as set forth in Note 2.1, 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.

Management's position and view

The auditors have requested a confirmation from the Zou Entities and related financial, corporate, operating and business information in respect of (i) the amounts due from Zou Entities and amounts due to Zou Entities as at 31 December 2024 of approximately RMB179.9 million and RMB45.3 million respectively; (ii) the allowance for expected credit loss on the balances due from the Zou Entities of RMB59.9 million as at 31 December 2024; and (iii) the expected credit loss on the balances due from the Zou Entities of RMB58.2 million recognised in the Company's consolidated profit or loss for the year ended 31 December 2024. It was the Company's understanding that the auditors' requests were not satisfied due to the uncooperative attitude of the Zou Entities (over which the Company has no control). The auditors stated that there were no other alternative audit procedures that they could carry out to obtain sufficient and appropriate audit evidence to satisfy themselves about the existence, accuracy, valuation and completeness of these balances as at 31 December 2024 (the "**Audit Issue**").

There was no disagreement between the Company and its auditors. Despite the management's best effort in procuring necessary information from and facilitate access to the Zou Entities, the uncooperative attitude of the Zou Entities had led to the inability to satisfy the auditors requests by providing sufficient appropriate audit evidence. In the circumstance, the management understands the qualified opinion issued by the auditors.

Audit committee's view

The Audit Committee understands that the qualified opinion was issued by the auditors as a result of their failure to obtain sufficient and appropriate audit evidence in respect of the amount due from and to the Zou Entities and the impairment assessment thereon. The Audit Committee, having considered the management's assessment and the auditors' view, concurred with the management's view.

The Company's plans to address the audit qualifications

The Company is working closely with its auditors with a view to resolving the Audit Issues as soon as practicable, including without limitation ascertaining the audit evidence required to satisfy the auditors. In addition, the Company is also taking steps to review and assess all the amount due from Zou Entities, with a view to formulating a recovery plan for all such amounts, including but not limited to commencing legal proceedings and/or other recovery actions against the Zou Entities.

The Company has been having bona fide discussions with the Zou Entities with a view to formulating a reasonable repayment plan in respect of the amount due from Zou Entities, including without limitation physical meetings, telephone conversations and formal meetings with the participation of the Company's legal advisors. After reaching consensus on a repayment plan which was primarily based on the disposal of property assets held by the Zou Entities in the PRC, the Company has been continuously and regularly monitoring the status of the amount due from Zou Entities and the progress of repayment. Throughout 2023 and in early 2024, the Company had diligently and repeatedly demanded payment of the amount due from Zou Entities from the Zou Entities and arranged meetings with the Zou Entities to follow up on the progress of repayment. The Company had also regularly and continuously enquired on the progress of the disposal of property assets held by the Zou Entities, being a key element of the repayment plan. The Company was given to understand that the Zou Entities have encountered continuing difficulties in disposing of the property assets in view of the gloomy sentiment in the PRC property market. However, in March 2024, the Zou Entities denied the existence of and refused to repay the amount due from Zou Entities claiming that such amount had been fully set off but failed to provide sufficient evidence to justify such set-off.

In view of the situation, the Group has been handling any recovery action carefully, with thorough consideration and deliberation of strategic, legal and financial issues, with the aid of professional advisers. The Company has conducted detailed analysis, balancing all relevant factors including but not limited to: (1) the availability and value of recoverable assets to obtain by recovery actions; (2) any viable alternative or indirect procedures to pursue the Group's claims; and (3) the cost-effectiveness of the procedures.

The Company will use its best endeavour to formulate a feasible solution with a view to the final resolution of the Audit Issues.

HUMAN RESOURCES MANAGEMENT

The management of the Group believes that talent is the basis for long-term development of enterprises. The Group targets to enhance its corporate image through building up and solidifying the Company's brand name. With the Five Hearts of Regal Partners: ambition, confidence, determination, perseverance and loyalty, as core values, the Group targets to establish a distinctive corporate culture. Through regular trainings and promotion of its corporate culture, the Group provides its staff with opportunities for personal growth and enhances the employees' sense of belonging to the Group. In addition, the Group provides its employees with competitive remuneration packages and various benefits in line with industry practice. At the same time, the Group strives to create a good working environment, and cultivates teamwork spirit among employees. The Group carries out performance evaluation quarterly, and conducts "Regal Partners Artisans" evaluations, aiming at elevating the morale of the Group's technicians. The Group regularly reviews human resources policies to ensure that the policies align with market practice and comply with regulatory requirements. As of 31 December 2024, the Group employed 220 employees (31 December 2023: 338 employees). The total annual salary and related costs (excluding directors' remuneration) for 2024 were approximately RMB37.8 million (2023: RMB53.8 million).

The Company operates a share option scheme which allows the Company to grant options to eligible persons as rewards for their contributions to the Group. The share option scheme has been adopted by the Company on 10 December 2016. The Company had also adopted a restricted share award scheme on 29 August 2019 for the purpose of incentivising selected participants.

OUTLOOK

In the new year, the market environment is still unpredictable, the Group will operate in a light asset model to reduce operational pressure and operational risk, and will continue to expand the existing markets, including the United States, Europe and Mainland China. Through the change of management team, the Board is confident that it can bring more positive benefits and possibilities to the Company, and lead the Company to focus on effective cost control to realize maximum operational benefits and enhance shareholders' confidence in the Company's future prospects.

EVENTS AFTER THE REPORTING PERIOD

On 7 March 2025, the Company and the placing agent entered into the placing agreement pursuant to which the Company appointed the placing agent to place, subject to the fulfillment of the conditions precedent to the placing, a maximum of 550,000,000 placing shares to not less than six independent placees at a price of HK$0.051 per placing share. The placing was completed on 19 March 2025. Further details were set out in the announcements of the Company dated 7 March 2025 and 19 March 2025.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The Company and its subsidiaries did not purchase, sell or redeem any of the listed securities of the Company (including sale of treasury shares) during 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as a code of conduct of the Company for Directors' securities transactions. The Company has made specific enquiry with its incumbent Directors regarding compliance with the Model Code during the Reporting Period, and they all confirmed that they had fully complied with the required standard set out in the Model Code regarding directors' securities transactions throughout the Reporting Period.

CORPORATE GOVERNANCE CODE

The Company is committed to maintain high standards of corporate governance to protect the interests of its Shareholders and to enhance corporate value and accountability. The principle of the Company's corporate governance is 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 Board believes that good corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value and formulate its business strategies and policies. The Board has reviewed the Company's corporate governance practices and is satisfied that save as disclosed below, the Company has complied with all code provisions ("**Code Provisions**") and, where applicable, the recommended best practices of the Corporate Governance Code (the "**Corporate Governance Code**") set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during 2024 and up to the date of this announcement.

Code Provision D.1.2 of the Corporate Governance Code provides that management should provide members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient details to enable the board as a whole and each director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules. Although the management of the Company did not provide a regular monthly update to the members of the Board, the management keeps providing information and updates to the members of the Board as and when appropriate. The Company will continue to review its corporate governance practices in order to enhance its corporate governance standard, comply with regulatory requirements and meet the growing expectations of shareholders and investors of the Company.

EXCHANGE RATE

For the purpose of this announcement, unless otherwise indicated, translations of U.S. dollars to RMB have been made at the rate of US$1 to RMB7.19, translations of Hong Kong dollars to RMB have been made at the rate of HK$1 to RMB0.93 and translations of GBP to RMB have been made at the rate of GBP1 to RMB9.08. These translations are for the purposes of illustration only and no representation is made by the Company that any amounts in U.S. dollars and RMB or Hong Kong dollars and RMB can be or could have been converted at the above rate or any other rates or at all.

AUDIT COMMITTEE

The Audit Committee was established with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, internal control system and risk management system of the Group, to oversee the audit process and to perform other duties and responsibilities as assigned by the Board.

Members of the Audit Committee are Prof. Kwan Pun Fong Vincent (Chairman), Ms. Chen Jianhua, Prof. Lee Chack Fan and Prof. Alfred Sit Wing Hang. They are all independent non-executive Directors.

The Audit Committee reviewed, among other things, the audited financial statements for 2024 with recommendations to the Board for approval and discussed with the management and the external auditors the accounting policies and practices which may affect the Group, the report prepared by the external auditors covering major findings in the course of the audit and the accounting and financial reporting matters.

DIVIDEND

The board of directors did not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: RMB nil).

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the Reporting Period as set out in the preliminary announcement have been agreed by the Group's auditor, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group's audited consolidated financial statements for the Reporting Period. The work performed by the Group's auditor in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by HLB Hodgson Impey Cheng Limited on this announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.theregalpartners.com. The 2024 Annual Report will be despatched to the shareholders of the Company and published on the website of the Company and the Stock Exchange in due course.

APPRECIATION

The Company would like to take this opportunity to thank the Directors, as well as the management and all employees for the contribution they have made towards the Group's continued progress, and to thank all the Shareholders, customers and business partners for their support.

By order of the Board
Regal Partners Holdings Limited
Tse Kam Pang
Chairman and Executive Director

Hong Kong, 31 March 2025

As at the date of this announcement, the executive Directors are Mr. Tse Kam Pang and Mr. Chong Tsz Ngai; the non-executive Director is Mr. Tse Hok Kan; and the independent non-executive Directors are Professor Alfred Sit Wing Hang, Professor Lee Chack Fan, Professor Kwan Pun Fong Vincent and Ms. Chen Jianhua.