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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)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2025

RESULTS

The board of directors (the “Board”) of Royale Home Holdings Limited (the “Company”) announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the “Group”) for the six months ended 30 June 2025 (the “Reporting Period”) together with the comparative figures for the corresponding period in 2024. The interim results for the Reporting Period had been reviewed by the audit committee of the Company and approved by the Board.

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2025

	Notes	Six months ended 30 June	
		2025	2024
		RMB'000 (Unaudited)	RMB'000 (Unaudited)
REVENUE	4	174,036	253,168
Cost of sales		<u>(164,808)</u>	<u>(235,442)</u>
Gross profit		9,228	17,726
Other income and gains	4	22,607	28,507
Selling and distribution expenses		(40,673)	(67,249)
Administrative expenses		(74,984)	(64,588)
Other expenses		(953)	–
Finance costs	5	(104,983)	(77,931)
Share of results of associates		<u>(92,554)</u>	<u>13,251</u>
LOSS BEFORE INCOME TAX	6	(282,312)	(150,284)
Income tax credit	7	<u>17,249</u>	<u>182</u>
LOSS FOR THE PERIOD		<u>(265,063)</u>	<u>(150,102)</u>
Loss for the period attributable to:			
Owners of the Company		(268,587)	(147,638)
Non-controlling interests		<u>3,524</u>	<u>(2,464)</u>
		<u>(265,063)</u>	<u>(150,102)</u>
LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY	9		
Basic and diluted (<i>RMB cents</i>)		<u>(10.839)</u>	<u>(5.958)</u>

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2025

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
LOSS FOR THE PERIOD	<u>(265,063)</u>	<u>(150,102)</u>
OTHER COMPREHENSIVE INCOME		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Exchange difference on translation of financial statements of foreign operations	<u>(24,065)</u>	<u>(2,466)</u>
Total comprehensive income for the period	<u>(289,128)</u>	<u>(152,568)</u>
Total comprehensive income attributable to:		
Owners of the Company	(292,708)	(150,041)
Non-controlling interests	<u>3,580</u>	<u>(2,527)</u>
	<u>(289,128)</u>	<u>(152,568)</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2025

		As at 30 June 2025 <i>RMB'000</i> (Unaudited)	As at 31 December 2024 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
ASSETS AND LIABILITIES			
NON-CURRENT ASSETS			
Property, plant and equipment		693,713	715,672
Investment properties		601,178	601,178
Intangible assets		1,858	2,056
Right-of-use assets		251,492	259,851
Goodwill		25,052	25,052
Investments in associates		1,118,833	1,248,638
Deferred tax assets		88,284	46,000
Prepayments, deposits and other receivables		88,075	98,697
Restricted bank deposits		6,927	5,318
		<u>2,875,412</u>	<u>3,002,462</u>
CURRENT ASSETS			
Inventories		277,976	271,352
Trade receivables	10	209,034	232,020
Prepayments, deposits and other receivables		360,543	343,898
Contract assets		1,778	2,173
Amounts due from associates		1,131,040	1,090,685
Restricted bank deposits		5,031	5,031
Cash and cash equivalents		46,751	20,452
		<u>2,032,153</u>	<u>1,965,611</u>
Assets classified as held for sale		<u>—</u>	<u>60,000</u>
		<u>2,032,153</u>	<u>2,025,611</u>

		As at 30 June 2025 <i>RMB'000</i> (Unaudited)	As at 31 December 2024 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade payables	11	125,106	205,795
Other payables and accruals		210,187	207,802
Lease liabilities		9,689	9,656
Borrowings		808,747	1,105,953
Loan from the ultimate holding company		1,539,224	924,769
Loan from the immediate holding company		116,067	–
Loan from fellow subsidiaries		55,762	54,169
Loan from an associate		18,124	27,200
Loan from non-controlling interests		49,960	47,342
Tax payable		77,088	82,075
		<u>3,009,954</u>	<u>2,664,761</u>
NET CURRENT LIABILITIES		<u>(977,801)</u>	<u>(699,150)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,897,611</u>	<u>2,363,312</u>
NON-CURRENT LIABILITIES			
Medium term bonds	12	41,168	40,729
Borrowings		542,753	584,616
Loan from the immediate holding company		–	114,888
Lease liabilities		15,390	19,466
Deferred tax liabilities		106,436	122,096
Deferred government grant		34,843	35,368
		<u>740,590</u>	<u>917,163</u>
Net assets		<u><u>1,157,021</u></u>	<u><u>1,446,149</u></u>

	As at 30 June 2025	As at 31 December 2024
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
EQUITY		
Share capital	221,592	221,592
Reserves	780,440	1,073,148
	<hr/>	<hr/>
Equity attributable to owners of the Company	1,002,032	1,294,740
Non-controlling interests	154,989	151,409
	<hr/>	<hr/>
Total equity	1,157,021	1,446,149
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NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2025

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2025 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group’s annual consolidated financial statements for the year ended 31 December 2024.

Going concern basis

The Group incurred a net loss of approximately RMB265 million for the six months ended 30 June 2025 and, as of that date, the Group’s current liabilities exceeded its current assets by approximately RMB978 million, while its cash and cash equivalents amounted to RMB47 million. The above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group’s ability to continue as a going concern. In view of the aforementioned, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Group’s bank and other loans of RMB1,014 million are guaranteed by Science City (Guangzhou) Investment Group Co., Ltd.* (“Science City”). Science City has agreed to continue to act as the Group’s guarantor for the next twelve months on all their existing and new bank and other loans with an aggregated amount of not exceeding RMB2,000 million. Based on historical experience, the directors expect that the Group is able to renew all the bank and other loans with Science City’s guarantee when they expire. As of 30 June 2025, the Group also has unpledged investment properties with carrying amount of approximately RMB601 million which are available for use as security to obtain new bank and other loans. Subsequent to 30 June 2025, the Group has successfully renewed or obtained new bank and other loans of RMB306 million;
- (ii) The Group will continue to seek suitable opportunities to dispose of certain equity interest in both associates and subsidiaries 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 expenses.

The board of directors have reviewed the Group’s cash flow projections prepared by management, which cover a period of not less than twelve months from 30 June 2025. They are of the opinion that, taking into account the abovementioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 30 June 2025. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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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) successfully obtaining continuous support by the banks and the Group's creditors;
- (ii) successfully disposing of the Group's certain equity interest in both associates and subsidiaries 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 expenses so as to generate adequate net cash inflows.

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

2. ADOPTION OF THE AMENDED HKFRSs

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements for the six months ended 30 June 2025 are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2024, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs") for the first time for the current period's financial information.

Amendments to HKAS 21

Lack of Exchangeability

The adoption of the amended HKFRSs has no significant impact on the preparation and presentation of the results and financial conditions of the Group for the current period and previous periods.

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

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

The Group's trading of aluminium ingots and bars segment has been discontinued during the current period. The carrying amounts of assets and liabilities of the trading of aluminium ingots and bars segment have been transferred to the development properties for sales and property investments segment on the date of discontinuation.

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

For the six months ended 30 June 2025 (Unaudited)

	Manufacture and sale of furniture <i>RMB'000</i>	Development properties for sale and property investments <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Trading of aluminium ingots and bars <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue					
Sale to external customers	<u>165,111</u>	<u>262</u>	<u>8,663</u>	<u>–</u>	<u>174,036</u>
Segment results	<u>(100,397)</u>	<u>(168,106)</u>	<u>(13,809)</u>	<u>–</u>	<u>(282,312)</u>

For the six months ended 30 June 2024 (Unaudited)

	Manufacture and sale of furniture <i>RMB'000</i>	Development properties for sale and property investments <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Trading of aluminium ingots and bars <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue					
Sale to external customers	<u>239,697</u>	<u>–</u>	<u>8,696</u>	<u>4,775</u>	<u>253,168</u>
Segment results	<u>(101,094)</u>	<u>(34,806)</u>	<u>(14,435)</u>	<u>51</u>	<u>(150,284)</u>

No analysis of the Group's assets and liabilities is disclosed as such information is not provided to the chief operating decision-makers for review for the interim period.

Information about a major customer

No revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the period (30 June 2024: RMB42 million).

Geographical information

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

4. REVENUE, OTHER INCOME AND GAINS

An analysis of the Group's revenue, other income and gains is as follows:

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Revenue from contracts with customers		
Sales of goods	142,766	195,498
Installation and other ancillary services	22,607	48,974
Hotel operations income	8,663	8,696
	<u>174,036</u>	<u>253,168</u>
Other income and gains		
Bank and other interest income	19,566	24,945
Government subsidy	665	1,041
Gain from derecognition of leases upon early termination	688	2,199
Sales of scraps	1,127	237
Others	561	85
	<u>22,607</u>	<u>28,507</u>
	<u>196,643</u>	<u>281,675</u>

5. FINANCE COSTS

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Interest on bank and other borrowings (including medium term bonds), loans from related parties and lease liabilities	104,983	77,931

6. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Cost of inventories sold	164,808	235,442
Depreciation	20,110	24,540
Property, plant and equipment written-off	–	6,095
Amortisation of intangible assets	247	94

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 Reporting Period. The general enterprise income tax in the PRC is 25% (30 June 2024: 25%).

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Current – PRC corporate income tax		
– Current tax	–	–
– Adjustment in respect of current tax of previous periods	(40,694)	93
Deferred tax expense	57,943	89
Total income tax credit for the period	17,249	182

8. DIVIDENDS

No dividend has been declared and paid by the Company during the six months ended 30 June 2025 (30 June 2024: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the Reporting Period attributable to owners of the Company, and the weighted average number of ordinary shares in issue less shares held under share award scheme during the Reporting Period of 2,477,871,326 (six months ended 30 June 2024: 2,477,871,326).

The Group had no potentially dilutive ordinary shares in issue during the six months ended 30 June 2025 and 2024.

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

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Loss		
Loss attributable to owners of the Company	(268,587)	(147,638)
	Number of shares	
	Six months ended 30 June	
	2025	2024
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue less shares held under the share award scheme during the period used in the basic and diluted loss per share calculation	2,477,871,326	2,477,871,326

10. TRADE RECEIVABLES

	As at	As at
	30 June	31 December
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables		
– third parties	265,006	278,902
– related parties	28,495	34,687
	293,501	313,589
Less: ECL allowance	(84,467)	(81,569)
Trade receivables, net	209,034	232,020

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

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

Trade receivables of RMB28,495,000 (31 December 2024: RMB34,687,000) which are due from related parties, are unsecured, interest-free and repayable on demand.

An aged analysis of the trade receivables as at the end of the Reporting Period, based on the invoice date, and net of ECL allowance, is as follows:

	As at 30 June 2025 <i>RMB'000</i> (Unaudited)	As at 31 December 2024 <i>RMB'000</i> (Audited)
Within 1 year	123,485	146,007
1 to 2 years	42,631	44,320
Over 2 years	42,918	41,693
	<u>209,034</u>	<u>232,020</u>

11. TRADE PAYABLES

	As at 30 June 2025 <i>RMB'000</i> (Unaudited)	As at 31 December 2024 <i>RMB'000</i> (Audited)
Trade payables		
– third parties	124,639	151,114
– related parties	467	54,681
	<u>125,106</u>	<u>205,795</u>

An aged analysis of the trade payables as at the end of the Reporting Period, based on invoice date, is as follows:

	As at 30 June 2025 <i>RMB'000</i> (Unaudited)	As at 31 December 2024 <i>RMB'000</i> (Audited)
Within 1 month	20,361	28,360
1 to 3 months	9,641	75,677
3 to 6 months	11,719	16,015
6 to 12 months	36,757	42,201
More than 1 year	46,628	43,542
	<u>125,106</u>	<u>205,795</u>

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

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

12. CONTINGENT LIABILITIES

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

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Guarantees given to banks in connection with facilities granted to an associate	<u>333,000</u>	<u>333,000</u>

During the Reporting Period, the Group has pledged 40% (31 December 2024: 40%) equity interest in an associate, Guangzhou Gangke Real Estate Co., Ltd* (“Gangke”, 廣州港科置業有限公司), to secure general banking facilities granted to Gangke.

In the opinion of the directors, as the applicable default rate was low as a result of stable financial conditions of Gangke, the fair value of the guarantees at initial recognition and the ECL allowance are not significant as at 30 June 2025 and 31 December 2024.

13. COMMITMENTS

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

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Contracted, but not provided for: Construction in progress	<u>32,197</u>	<u>32,083</u>

14. COMPARATIVE FIGURES

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

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2025, the Chinese economy withstood pressures and pressed ahead, showing a steady and improving momentum. Production demand maintained stable growth, and household income continued to rise. Although the real estate industry remained in an adjustment period, with the sales area and sales volume of commodity houses continuing to decline and persistently weak housing demand directly suppressed the demand for furniture consumption. However, consumer spending showed signs of a moderate recovery under the stimulus of the Chinese government's package of consumption policies. Household income and consumption increased as compared to the same period in 2024, and consumers' cautious spending attitude eased somewhat. In particular, driven by the "trade-in" policy, the downturn of the furniture industry was alleviated.

During the Reporting Period, due to the overall weakness in the furniture consumption market, intensified "price wars" within the industry, and increasingly fierce competition, the distributor business had yet to show significant improvement. However, the Group actively leveraged activities such as government subsidy campaigns, distributor annual meetings, and trade fairs to stabilize distributor channels and prevent further business decline. At the same time, the Group vigorously expanded new marketing channels such as e-commerce platforms and emerging social media to drive traffic efficiently and actively develop online business. In addition, the Group enhanced its market competitiveness by building a digital marketing system, collaborating with AI design and marketing technology companies to improve operational efficiency, streamlining business teams, optimizing and integrating production plants, and implementing cost-control measures to reduce operating expenses.

In terms of the industrial renovation business, the Group is strategically focusing on the high- end segment of industrial renovation business. Specific initiatives include: firstly, establishing a demonstration system for high-end hotel and apartment products by undertaking multiple benchmark refined decoration projects; secondly, continuously strengthening core business advantages by leveraging product resources of Royale Home to deepen strategic centralized procurement cooperation with large state-owned enterprises, central enterprises, and technology companies, thereby significantly increasing the share of centralized procurement business; thirdly, showcasing capabilities in smart product development and integrated solutions in an all-round way through the Home Expo to consolidate differentiated competitiveness via technological upgrades; and fourthly, synchronously advancing overseas industrial renovation business by leveraging trade fair platforms to develop new customers and continuously converting and following up on multiple orders. Management remains optimistic about the future development of the industrial renovation business.

In the hotel operations sector, Royal Palace Hotel, a subsidiary of the Group located in Xiancun Town, Zengcheng District, Guangzhou City, Guangdong Province, effectively integrated the Group's resource advantages in the first half of 2025, expanding revenue channels through diversified operations. First, it actively explored the Hong Kong and Macau travel agency market, successfully filling the gap in customer sources from these regions and injecting new economic momentum to the development of the Greater Bay Area; second, leveraging the land resource endowment of the Xiancun industrial park, it introduced professional tennis training institutions and launched a high-end membership service system for tennis courts; third, it integrated the strategic partner Narada Hotel Group's Narada Elite membership system and online promotion channels, effectively expanding sales scale; simultaneously, it fully utilized its geographic advantages in Zengcheng District to collaborate with local orchards on direct sales and fruit-picking experience projects for agricultural products, significantly enhancing our operating income. Despite the combined pressures of macroeconomic downturn and industry policy adjustments, these innovative measures effectively alleviated operational pressure, resulting in only a slight year-on-year decrease in the operating income of our hotel operations business.

During the Reporting Period, revenue decreased by 31.26% to approximately RMB174.04 million, while gross profit margin decreased from 7.00% to 5.30%. The Group recorded loss for the Reporting Period attributable to the owners of the parent company of RMB268.59 million, as compared to loss for the Reporting Period attributable to the owners of the parent company of RMB147.64 million for the same period of last year.

FINANCIAL REVIEW

Inventory and Prepayments, Deposits and Other Receivables

During the Reporting Period, the Group's inventory increased by 2% to RMB277.98 million (31 December 2024: RMB271.35 million).

Prepayments, deposits and other receivables increased by 1% to RMB448.62 million (31 December 2024: RMB442.60 million).

Working Capital

The Group had net current liabilities of RMB977.80 million as at 30 June 2025 (31 December 2024: net current liabilities of RMB699.15 million). The Group will continue to take initiatives to manage its cash flow and capital commitments.

PROSPECTS

The Chinese government is expected to introduce a series of real estate regulatory measures in the second half of 2025, including relaxing purchase restrictions, lowering down payment ratios to historical lows, and providing related tax incentives. Meanwhile, at the end of July 2025, the meeting of the Political Bureau of the CPC Central Committee announced an investment of RMB4.4 trillion in special bonds to support the acquisition of affordable housing and the renovation of urban villages, as well as to promote the “Urban Renewal 2.0 Plan”, focusing on the refurbishment of old residential communities built before 2000. These policies are expected to further stimulate housing demand, revitalize the real estate market, and bring new growth opportunities to the Group’s furniture retail and industrial renovation businesses.

In the second half of the year, the Group will focus on developing its industrial renovation business by continuously developing professional products across multiple formats to drive the implementation of high-end projects with the aim to expand scale; further expanding the strategic centralized procurement cooperation network to solidify the growth foundation; driving breakthroughs in the research, development, and commercialization of smart and elder-friendly furniture products to build core competitiveness; and simultaneously strengthening overseas market expansion and establishing a presence in cross-border e-commerce to optimize the international business layout.

In terms of the furniture retail business, the Company will deepen reforms by strengthening the development of traditional retail markets and key distributor management, improving channel construction to boost revenue through multiple channels; restructuring the product portfolio to focus on essential and new product development, enhancing personalized and high-quality design; and leveraging intelligent design systems to strengthen scenario-based marketing capabilities.

The hotel operations business will broaden its revenue streams through diversified strategies: firstly, by continuing to deepen cooperation with business groups, conference companies, and travel agencies to ensure an increase in room bookings and conference revenue; secondly, by developing recuperation services, combining the advantages of ecological resources to attract middle-aged and elderly customer demographics; thirdly, by synergistically coordinating with local cultural tourism projects in Zengcheng to expand customer sources; and fourthly, by strengthening media distribution cooperation, simultaneously developing both B-side and C-side markets, to optimize the revenue structure.

In addition, while remaining focused on its core business, the Group will accelerate the disposal of non-core assets to reduce liabilities, and evaluate the introduction of new core businesses to enhance overall profitability. To alleviate liquidity pressure and improve its financial position, the Group has formulated plans and measures, including identifying suitable opportunities to sell certain equity interests in associate companies and subsidiaries to improve liquidity levels.

Finally, the Group will closely manage its financing activities by making accurate plans for fund raising and disbursements, actively exploring diversified financing channels, and providing a solid financial foundation to support business development.

Although the operating environment of the furniture industry remains complex and severe, and the Group's development still faces multi-faceted challenges, the government has laid out a clear reform roadmap for the development of the real estate industry. Against this backdrop, the Group will assess the situation, continuously strengthen its competitive advantages, and diversify its business at the appropriate time, in an effort to maximize shareholder value.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash and cash equivalents amounted to RMB46.75 million as at 30 June 2025 (31 December 2024: RMB20.45 million).

As at 30 June 2025, the interest-bearing bank and other borrowings amounted to RMB1,351.50 million (31 December 2024: RMB1,690.57 million), the Group had loan from the immediate holding company, loan from the ultimate holding company, loan from fellow subsidiaries, loan from an associate, loan from minority shareholders and medium term bonds in the total amount of RMB1,820.31 million (31 December 2024: loan from the immediate holding company, loan from the ultimate holding company, loan from fellow subsidiaries, loan from an associate, loan from non-controlling interests, and medium term bonds were in the total amount of RMB1,209.10 million).

As of 30 June 2025, the current ratio (current assets/current liabilities) was 0.68 times (31 December 2024: 0.74 times) and the net current liabilities amounted to RMB977.80 million (31 December 2024: RMB699.15 million).

CAPITAL STRUCTURE

There has been no material change in the capital structure of the Group during the Reporting Period.

PLEDGE OF ASSETS

As at 30 June 2025, the Group pledged (i) buildings and right-of-use assets which had aggregate carrying values of approximately RMB505,981,000 (31 December 2024: RMB564,464,000); (ii) time deposits amounting to RMB5,031,000 (31 December 2024: RMB5,031,000); (iii) inventories amounting to RMBNil (31 December 2024: RMBNil); (iv) certain machineries amounting to RMB18,209,000 (31 December 2024: RMB19,986,000); (v) deposits in other receivables amounting to RMB41,075,000 (31 December 2024: RMB46,075,000) to secure certain bank and other borrowings granted to the Group; and (vi) 40% equity interest in an associate of approximately RMB565,631,000 (31 December 2024: RMB672,858,000) to secure general banking facilities granted to the associate.

GEARING RATIO

The gearing ratio which is defined as net debt divided by capital plus net debt was 76% as at 30 June 2025 (31 December 2024: 72%).

FOREIGN EXCHANGE EXPOSURES

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

CONTINGENT LIABILITIES

During the Reporting Period, the Group has provided guarantees of RMB333,000,000 and pledged 40% equity interest in an associate to secure general banking facilities granted to the associate.

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2025 was approximately 750 (31 December 2024: 949). The Group's remuneration policies are in line with local market practices where the Group operates and are normally reviewed on an annual basis. In addition to salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share awards may be granted to eligible employees and persons of the Group as the Company sees fit as an incentive to eligible participants to contribute to the business development and growth of the Group.

Significant investments, acquisitions and disposals

Particulars of significant investments in associates held by the Group as at 30 June 2025 are set out as follows:

Name	Principal activity	Percentage of equity interest held	Carrying amount		Percentage to the Group's total assets as at 30 June 2025
			30 June 2025 RMB'000	31 December 2024 RMB'000	
Guangzhou Fu Yue Design Company Limited	Design services	50%	66,669	67,879	1.36%
Sky Walk Limited	Investment	42.42%	107,254	107,264	2.19%
Gangke	Real Estate	40%	565,633	672,858	11.53%
Science City (Guangzhou) Financial Leasing Co., Ltd.* (科學城(廣州)融資租賃有限公司)	Financial Leasing	18.06%	341,244	362,272	6.95%

References are made to the announcements of the Company dated 28 April 2025, 3 April 2025 and 19 February 2025. On 21 April 2025, Guangzhou Yuyuan Real Estate Development Co., Ltd.* (廣州御園地產發展有限公司) (“Yuyuan Real Estate”, an indirect wholly-owned subsidiary of the Company) (as the seller) and Lvshang Technology (Guangzhou) Co., Ltd.* (呂尚科技(廣州)有限公司) (“Lvshang Technology”) (as the purchaser) entered into the equity transfer agreement, pursuant to which Yuyuan Real Estate agreed to sell, and Lvshang Technology agreed to purchase, 25% equity interest in Dongma (Guangzhou Bonded Area) Grease Chemical Engineering Co., Ltd.* (東馬(廣州保稅區)油脂化工有限公司) for a consideration of RMB 60.0 million.

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

* For identification purposes only

Future plans for material investments or acquisition of capital assets

Apart from those disclosed in this announcement, the Group had no other future plans for material investments or acquisition of capital assets as at 30 June 2025.

EVENTS AFTER THE END OF THE REPORTING PERIOD

There are no significant events after the Reporting Period and up to the date of this announcement.

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 Reporting Period 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 (the “CEO”) should be separate and should not be performed by the same individual, and that the division of responsibilities between the Chairman and the CEO should be clearly stated.

During the Reporting Period, Mr. Lin Ruhai concurrently took both the positions as Chairman and CEO, and was responsible for the corporate strategic planning and overall business development of the Group. Mr. Lin Ruhai has extensive experience and his duties of overseeing the Group’s operations are considered to be beneficial to the Group. The Company considers having Mr. Lin Ruhai acting as both Chairman and CEO would provide strong and consistent leadership to the Group and facilitate the efficient execution of business strategies within the Group. Since the Directors will meet regularly to consider major matters affecting operations of the Company, the Directors and the management of the Company believe that this structure will enable the Company to make and implement decisions promptly and efficiently. As a result, the Company currently does not propose to separate the functions of Chairman and CEO. The Board will continue to review and consider splitting the roles of Chairman and CEO at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: Nil).

AUDIT COMMITTEE REVIEW

The accounting information in the interim results for the Reporting Period has not been audited by the auditors of the Company but the audit committee of the Company has reviewed the financial results of the Group for the six months ended 30 June 2025 and discussed with internal audit executives in relation to matters on internal control and financial reports of the Group. The audit committee of the Company has not undertaken external independent audit checks regarding the interim results for the Reporting Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted 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 for compliance by the directors and relevant employees. The Company, having made specific enquiry, confirms that members of the Board complied throughout the Reporting Period with the Model Code.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s securities (including sales of treasury shares (as defined in the Listing Rules)) for the six months ended 30 June 2025.

PUBLICATION OF INTERIM REPORT

The 2025 interim report of the Company, which contains condensed consolidated financial statements for the six months ended 30 June 2025, and all other information required under Appendix D2 to the Listing Rules will be disseminated to the shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (<http://royale.todayir.com>) in due course.

By order of the Board
Royale Home Holdings Limited
Lin Ruhai

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 27 August 2025

As at the date of this announcement, the Board comprises one executive director, namely, Mr. Lin Ruhai (Chairman); four non-executive directors, namely, Mr. Wu Zhongming, Mr. Tao Ying, Ms. Yang Ying and Mr. Yan Weihao; and three independent non-executive directors, namely, Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin.