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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **Royale Home Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)**

# VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTIONS IN RELATION TO (1) THE SCFL DISPOSAL AND (2) THE HENGCHENG DISPOSAL AND NOTICE OF EXTRAORDINARY GENERAL MEETING

**Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders**

Ignite Capital

Capitalised terms used in this cover shall have the same meaning as those defined in the circular, unless the context requires otherwise.

A notice convening the EGM to be held at Yuzun (御尊) Conference Room of Guangzhou Royal Palace Hotel, No. 99, Zhuxian Road, Xiancun Town, Zengcheng District, Guangzhou, China on Friday, 28 November 2025 at 3:00 p.m., is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is also enclosed with this circular. Such form of proxy is also published on the website of the Stock Exchange at www.hkexnews.hk.

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

* *For identification purposes only*

11 November 2025

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*In this circular, unless the context otherwise requires, the following expressions have the following meanings:*

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| "acting in concert" | has the meaning ascribed to it under the Takeovers Code |
| "associate(s)" | has the meaning ascribed to it under the Listing Rules |
| "Board" | the board of Directors |
| "Charming Future" | Charming Future Holdings Limited, a beneficial owner of 209,768,922 Shares, representing 8.07% of the issued share capital of the Company as at the Latest Practicable Date and is wholly-owned by Mr. Tse. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement |
| "Company" | Royale Home Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1198) |
| "Completions" | collectively, the SCFL Completion and the Hengcheng Completion |
| "Concert Group" | SCHK, Mr. Tse, Leading Star, Crisana and Charming Future, being parties acting in concert pursuant to the Concert Group Agreement |
| "Concert Group Agreement" | the concert group agreement dated 24 May 2019 and entered into amongst SCHK, Mr. Tse, Leading Star, Crisana and Charming Future |
| "connected person(s)" | has the meaning ascribed to it under the Listing Rules |
| "controlling shareholder(s)" | has the meaning ascribed to it under the Listing Rules |
| "Crisana" | Crisana International Inc., a beneficial owner of 165,840,120 Shares, representing 6.38% of the issued share capital of the Company as at the Latest Practicable Date, and is wholly-owned by Mr. Tse. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement |

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| "Director(s)" | the director(s) of the Company |
| "Disposal Agreements" | collectively, the SCFL Equity Transfer Agreement and the Hengcheng Equity Transfer Agreement |
| "Disposals" | collectively, the SCFL Disposal and the Hengcheng Disposal |
| "EGM" | an extraordinary general meeting of the Company to be convened and held on Friday, 28 November 2025 for the Independent Shareholders to consider, and, if thought fit, approve the Disposal Agreements and the transactions contemplated thereunder |
| "Group" | the Company and its subsidiaries |
| "Hengcheng" | Guangdong Hengcheng Furniture Co., Ltd.* (廣東恒誠傢俬有限公司), a company established in the PRC with limited liability |
| "Hengcheng Completion" | the completion of the Hengcheng Disposal pursuant to the terms and conditions of the Hengcheng Equity Transfer Agreement |
| "Hengcheng Consideration" | the consideration for the Hengcheng Disposal in the amount of RMB11,338,566.62 |
| "Hengcheng Disposal" | the disposal of 100% equity interest in Hengcheng by Ocean Concept to SC Development pursuant to the Hengcheng Equity Transfer Agreement |
| "Hengcheng Equity Interest" | the 100% equity interest in Hengcheng to be disposed of by Ocean Concept under the Hengcheng Equity Transfer Agreement |
| "Hengcheng Equity Transfer Agreement" | the equity transfer agreement dated 22 September 2025 and entered into between Ocean Concept (as vendor), SC Development (as purchaser), Hengcheng and the Company in relation to the Hengcheng Disposal |

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| "Hengcheng Excluded Assets and Liabilities" | the Operation Related assets and liabilities of Hengcheng to be transferred out of Hengcheng (including third party financings settled by the Remaining Group, employees to be transferred out and subsisting Operation Related contracts terminated or assigned) to the Remaining Group under the Hengcheng Reorganisation |
| "Hengcheng Industrial and Commercial Registration" | has the meaning ascribed to it in the sub-section headed "The Hengcheng Disposal – The Hengcheng Completion" in this circular |
| "Hengcheng Land and Construction Interests" | the parcel of land with a total land area of approximately 75,092 square metres for industrial use located at Launch District in Guangde (Yingde) Industrial Park, Guangqing Economic Special Cooperation Zone* (廣清經濟特別合作區廣德(英德)產業園啟動區) in the Guangdong Province, together with buildings erected thereon and relevant constructions in progress |
| "Hengcheng Long Stop Date" | 31 December 2025 (or such other date as may be agreed by SC Development and Ocean Concept in writing) |
| "Hengcheng Reorganisation" | the reorganisation of the assets and liabilities of Hengcheng involving the (a) disposal or transfer of all Operation Related assets and liabilities of Hengcheng to the Remaining Group, (b) settlement of certain subsisting third party financings through funds provided by the Remaining Group; (c) transfer of all employees of Hengcheng to the Remaining Group; and (d) termination or assignment of all subsisting Operation Related contracts entered into between Hengcheng and third parties to the Remaining Group, such that Hengcheng shall cease to be bound by the said contracts |
| "Hengcheng Target Assets and Liabilities" | the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities of Hengcheng |
| "HK$" | Hong Kong dollar, the lawful currency of Hong Kong |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |

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| "Independent Board Committee" | the independent board committee of the Company, comprising all independent non-executive Directors, formed to advise the Independent Shareholders in relation to the Disposal Agreements and the transactions contemplated thereunder |
| "Independent Financial Adviser" or "Ignite Capital" | Ignite Capital (Asia Pacific) Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Disposal Agreements and the transactions contemplated thereunder |
| "Independent Shareholder(s)" | Shareholder(s) other than (i) Science City and its associates and parties acting in concert with any of them and (ii) any other persons who are interested in the Disposal Agreements and the transactions contemplated thereunder |
| "Knowledge City" | has the meaning ascribed to it in the sub-section headed "Information of the Parties – Information of SC Development" in this circular |
| "Latest Practicable Date" | 7 November 2025, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular |
| "Leading Star" | Leading Star Global Limited, a company wholly-owned by Mr. Tse and the direct beneficial owner of 51,971,227 Shares, representing 2.00% of the issued share capital of the Company as at the Latest Practicable Date. It is deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement |
| "Lease" | has the meaning ascribed to it in the sub-section headed "The Hengcheng Disposal – The Hengcheng Reorganisation" in this circular |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |

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| "Mr. Tse" | Mr. Tse Kam Pang, the direct beneficial owner of 282,948,047 Shares, representing 10.89% of the issued share capital of the Company as at the Latest Practicable Date. He is also deemed to be interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company pursuant to the Concert Group Agreement |
| "Net Reorganisation Obligations" | has the meaning ascribed to it in the sub-section headed "The Hengcheng Disposal – The Hengcheng Reorganisation" in this circular |
| "Ocean Concept" | Ocean Concept Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company |
| "Operation Related" | relating to the manufacturing and sale of furniture operations of Hengcheng |
| "PRC" | the People's Republic of China |
| "PRC GAAP" | the generally accepted accounting principles in the PRC |
| "Reference Date" | 31 December 2024 |
| "Registration Documents" | documents required for the transfer of the SCFL Equity Interest, including but not limited to shareholders' resolutions, board resolutions and the new articles of association of SCFL |
| "Remaining Group" | the Group after the Completions |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "Royal Finance Lease" | Royal Finance Lease Limited (皇朝融資租賃有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company |
| "SC Development" | Science City (Guangzhou) Development Group Co., Ltd.* (科學城(廣州)發展集團有限公司), a company established in the PRC with limited liability |
| "SCFL" | Science City (Guangzhou) Finance and Leasing Co., Ltd.* (科學城(廣州)融資租賃有限公司), a company established in the PRC with limited liability |

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| "SCFL Completion" | the completion of the SCFL Disposal pursuant to the terms and conditions under the SCFL Equity Transfer Agreement |
| "SCFL Consideration" | the consideration for the SCFL Disposal in the amount of RMB416,752,500 |
| "SCFL Disposal" | the disposal of 18.06% equity interest in SCFL by Royal Finance Lease to Science City pursuant to the SCFL Equity Transfer Agreement |
| "SCFL Equity Interest" | the 18.06% equity interest in SCFL to be disposed of by Royal Finance Lease under the SCFL Equity Transfer Agreement |
| "SCFL Equity Transfer Agreement" | the equity transfer agreement dated 22 September 2025 and entered into between Royal Finance Lease (as vendor), Science City (as purchaser) and SCFL in relation to the SCFL Disposal |
| "SCFL Industrial and Commercial Registration" | has the meaning ascribed to it in the sub-section headed "The SCFL Disposal – The SCFL Completion" in this circular |
| "SCHK" | Science City (Hong Kong) Investment Co. Limited, a direct wholly-owned subsidiary of Science City and the direct beneficial owner of 1,234,862,964 Shares, representing 47.52% of the issued share capital of the Company as at the Latest Practicable Date. It is deemed to be interested in 1,945,391,280 Shares, representing approximately 74.86% of the issued share capital of the Company as at the Latest Practicable Date pursuant to the Concert Group Agreement |
| "Science City" | Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司), a company established in the PRC with limited liability on 21 August 1984 and a controlling shareholder of the Company. The ultimate beneficial owner of Science City is the Guangzhou Economic and Technological Development Zone Administration Committee (廣州經濟技術開發區管理委員會) |
| "Science City Group" | Science City together with its subsidiaries, which shall, for the purpose of this circular, exclude the Group |

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| "Science City Loans" | has the meaning ascribed to it in the sub-section headed "Reasons for and Benefits of the Disposals and Use of Proceeds – Use of Proceeds" in this circular |
| "Security Deposit" | has the meaning ascribed to it in the sub-section headed "The Hengcheng Disposal – Payment" in this circular |
| "SFO" | Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) |
| "Share(s)" | ordinary share(s) of HK$0.10 each in the share capital of the Company |
| "Shareholder(s)" | the holder(s) of the Shares |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Takeovers Code" | the Hong Kong Code on Takeovers and Mergers |
| "Transition Period" | in respect of the Hengcheng Disposal, the period from (but excluding) the Reference Date to (and including) the date of the Hengcheng Completion |
| "Transition Period Audit" | an audit to be performed by an auditor agreed and jointly engaged by Ocean Concept and SC Development within 15 days after the date of the Hengcheng Completion with respect to Hengcheng for the Transition Period using the date of the Hengcheng Completion as reference date |
| "Transition Plan" | has the meaning ascribed to it in the sub-section headed "The Hengcheng Disposal – The Hengcheng Reorganisation" in this circular |
| "Valuer" | International Valuation Limited, an independent professional valuer engaged by the Company |
| "%" | per cent |

*In this circular, if there is any inconsistency between the Chinese names of entities or enterprises established in the PRC or Chinese government authorities or departments and their English translations, the Chinese names shall prevail.*

* *For identification purposes only*

# 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)**

*Executive Director:*
Mr. Lin Ruhai *(Chairman)*

*Non-executive Directors:*
Mr. Wu Zhongming
Mr. Tao Ying
Ms. Yang Ying
Mr. Yan Weihao

*Independent non-executive Directors:*
Mr. Lau Chi Kit
Mr. Yue Man Yiu Matthew
Mr. Chan Wing Tak Kevin

*Registered office:*
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Head office and principal place of business in Hong Kong:*
Room 607, 6/F
Tsim Sha Tsui Centre West Wing
66 Mody Road, Tsim Sha Tsui East
Kowloon
Hong Kong

11 November 2025

*To the Shareholders*

Dear Sir or Madam,

## VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTIONS IN RELATION TO (1) THE SCFL DISPOSAL AND (2) THE HENGCHENG DISPOSAL AND NOTICE OF EXTRAORDINARY GENERAL MEETING

## 1. INTRODUCTION

Reference is made to the announcement of the Company dated 22 September 2025 in relation to, amongst others, the SCFL Disposal and the Hengcheng Disposal.

* *For identification purposes only*

This circular is to provide Shareholders with, amongst others, (1) particulars of the Disposal Agreements and the transactions contemplated thereunder; (2) financial information of SCFL and Hengcheng; (3) unaudited pro forma financial information of the Remaining Group; (4) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposals; (5) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Disposals; (6) other information concerning the Company as required under the Listing Rules; and (7) a notice of the EGM.

**The SCFL Disposal**

On 22 September 2025 (after trading hours), Royal Finance Lease (a wholly-owned subsidiary of the Company) (as vendor), Science City (as purchaser) and SCFL have entered into the SCFL Equity Transfer Agreement, pursuant to which Royal Finance Lease has conditionally agreed to sell, and Science City has conditionally agreed to purchase, 18.06% of the equity interest in SCFL at the SCFL Consideration of RMB416,752,500. As at the Latest Practicable Date, SCFL was an associated company of the Company principally engaged in finance leasing, in which the Group held 18.06% equity interest.

**The Hengcheng Disposal**

On 22 September 2025 (after trading hours), Ocean Concept (a wholly-owned subsidiary of the Company) (as vendor), SC Development (as purchaser), Hengcheng and the Company have entered into the Hengcheng Equity Transfer Agreement, pursuant to which Ocean Concept has conditionally agreed to sell, and SC Development has conditionally agreed to purchase, the entirety of the equity interest in Hengcheng at the Hengcheng Consideration of RMB11,338,566.62.

As a condition precedent to the Hengcheng Completion, Hengcheng will undergo the Hengcheng Reorganisation, which is a process whereby the Hengcheng Excluded Assets and Liabilities (i.e. assets and liabilities relating to the manufacturing and sale of furniture operations of Hengcheng) would be transferred out of Hengcheng to the Remaining Group, such that the remaining assets and liabilities within Hengcheng would be the Hengcheng Target Assets and Liabilities (i.e. the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities), being the subject matter of the Hengcheng Disposal. It is estimated that the Hengcheng Reorganisation will give rise to the Net Reorganisation Obligations on the part of Hengcheng to pay the Remaining Group, which shall be settled in full by Hengcheng (funded by capital contribution(s) or shareholder's loan(s) to be made by SC Development to Hengcheng) within five (5) working days after the completion of the Transition Period Audit. As at 30 June 2025, the net liabilities value (i.e. the Net Reorganisation Obligations), representing a net amount after netting off the assets and liabilities amongst the Hengcheng Excluded Assets and Liabilities, was approximately RMB122.14 million.

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

## 2. THE SCFL DISPOSAL

The principal terms of the SCFL Equity Transfer Agreement are as follows:

**Date**

22 September 2025 (after trading hours)

**Parties**

(i) Royal Finance Lease Limited, as vendor;

(ii) Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司), as purchaser; and

(iii) Science City (Guangzhou) Finance and Leasing Co., Ltd.* (科學城(廣州)融資租賃有限公司).

**Assets to be Disposed of**

Pursuant to the SCFL Equity Transfer Agreement, Royal Finance Lease has conditionally agreed to sell, and Science City has conditionally agreed to purchase, 18.06% of the equity interest in SCFL, together with all rights and interests attached thereto with effect from the date of the SCFL Completion.

**Consideration**

The SCFL Consideration to be paid by Science City to Royal Finance Lease is RMB416,752,500.

The SCFL Consideration was determined after arm's length negotiations between Science City and Royal Finance Lease, with reference to, among others, (1) the valuation of 18.06% of the equity interest in SCFL which amounted to RMB395 million as at 30 June 2025, based on the income approach, as contained in a valuation report prepared by the

Valuer as set out in Appendix V to this circular; (2) the nature of the business of SCFL, in particular SCFL's qualifications and license to conduct a finance lease business; and (3) the potential enhancement of efficiency and synergistical effect for Science City by holding all the equity interest in SCFL after the SCFL Completion.

***Valuation***

*Identity of Valuer and Qualifications*

The Valuer is International Valuation Limited and has confirmed its independence from the Company and its connected persons.

The valuation report of 18.06% equity interest in SCFL as set out in Appendix V to this circular was prepared by Ms. Winnie Lam and Mr. Kevin Kwong. Ms. Winnie Lam has more than ten years of experience in valuation and financial analyses, including business valuation, valuation of intangible assets, financial instruments, natural resources projects and purchase price allocation. She is a charter holder of Chartered Financial Analyst (CFA). Mr. Kevin Kwong has more than ten years of experience in business valuation, intangible assets valuation, purchase price allocation, and impairment tests for financial reporting and transaction reference purposes. He is a charter holder of Chartered Financial Analyst (CFA), Chartered Valuer and Appraiser, Singapore (CVA) and Financial Risk Manager (FRM).

The Directors have assessed the qualifications, experience and track record of the Valuer and are of the view that the Valuer is qualified, experienced and competent in performing the valuation of 18.06% equity interest in SCFL.

*Valuation Standards and Methodology*

The valuation report was prepared in accordance with International Valuation Standards 2025.

In estimating the market value of the equity interest in SCFL, the Valuer relied primarily on the income approach in the form of a discounted cash flow ("**DCF**") methodology. The income approach could take into consideration the specific business development plans and capital injection schedule, if any, of SCFL. Moreover, it could capture the future earning potential and expected turnaround of the business operations of SCFL. Hence, the Valuer considered it is fair and reasonable to adopt the income approach in arriving at the market value of SCFL.

As stated in the valuation report, the market approach benchmarks SCFL's equity value against publicly traded comparable companies, based on similarity and comparability in financial performance and business nature. However, the Valuer observed a consistent decline in SCFL's revenue over the past three years, from approximately RMB522 million for the year ended 31 December 2022 to approximately RMB407 million for the year ended

31 December 2024, and further down to approximately RMB157 million for the six months period ended 30 June 2025. In addition, the operating profit excluding non-recurring or non-operating items also decreased consecutively during the same period, from approximately RMB193 million in 2022 to approximately RMB36 million in 2024, and further turned into an operating loss excluding non-recurring or non-operating items, i.e. (i) other income and gains, (ii) (provision)/reversal of provision for expected credit loss allowance of other receivables and finance lease receivables, and (iii) share of results of associates, of approximately RMB55 million for the six months period ended 30 June 2025. Given the deterioration and fluctuation in SCFL's business operations and financial performance as of 30 June 2025, it is subjective to estimate a normalized financial baseline for a meaningful comparison with publicly traded comparable companies. In addition, because the market approach involves a high-level comparison between SCFL and similar companies trading in the public market, the Valuer considers that it is more difficult to capture the specific characteristics (including revenue, costing, cashflows, capital investment, etc.) of SCFL when adopting the market approach than adopting the income approach, which incorporates historical financial information and projections. Therefore, the market approach was not adopted by the Valuer in the valuation of 18.06% equity interest in SCFL.

The cost approach was also not applied for the valuation of SCFL as it tends to understate the value of an income-generating business.

*Key Inputs*

The Valuer's DCF analysis was based on key qualitative factors applicable to the valuation of SCFL, outlook for the general economy of the territory in which it operates, and discussions with and projections prepared by the management of the Company. Free cash flow to equity ("**FCFE**") for each year of the projection period was calculated by adding back other items affecting cash flows to net profit. Non-cash expenses, such as depreciation and amortisation, were added, incremental investments in net working capital and capital expenditures were deducted, and net borrowings were added, all of which are provided by the management of the Company.

In addition to calculating the free cash flows throughout the projection period, it was necessary to calculate the terminal value of SCFL, which reflects the value of the equity at the end of the projection period. The terminal value was calculated by applying the Gordon Growth Model with a long-term growth rate.

The projected free cash flows, including the terminal value, were discounted to present value at an appropriate rate of return, or "discount rate". The discount rate is the rate of return that an investor would require on an investment in the business. This rate of return should reflect macroeconomic, industry, and company-specific factors that translate into the degree of perceived risk to achieve these projected results.

Details of the calculation of the market value of SCFL are illustrated as follows:

**As of 30 June 2025**

*RMB'000*

| | |
|---|---|
| **Equity Value derived from DCF Methodology (marketable and controlling basis)** | **845,607** |
| Less: Discount for Lack of Marketability ("**DLOM**") | (131,915) |
| Less: Discount for Lack of Control ("**DLOC**") | (124,304) |
| **Equity Value (non-marketable and non-controlling basis)** | **589,388** |
| Add/(Less): Non-Operating Assets/(Liabilities) | 1,599,148 |
| **Market Value of 100% Equity Interest in SCFL** | **2,188,536** |
| **Market Value of 18.06% Equity Interest in SCFL (rounded)** | **395,000** |

The specific assumptions and key inputs of the profit forecast under the valuation report are set out as follows:

| **Specific assumptions** | **Input** | **Basis of assumptions** |
|---|---|---|
| Terminal growth rate | 2% | The terminal value was calculated by applying the Gordon Growth Model assuming that the business will grow at a long-term growth rate of about 2% perpetually after the forecast period with formula as follows:<br><br>Terminal Value: $FCFE_{n+1}$ / (Discount Rate – Long-term Growth Rate)<br><br>*where*<br><br>$FCFE_{n+1}$ is the Free Cash Flow to Equity in the year following the forecast period (i.e. year n+1).<br><br>Long-term growth rate is based on the International Monetary Fund ("**IMF**") forecasted inflation rate of China for year 2030 sourced from Bloomberg. |
| Discount for Lack of Marketability | 15.60% | Based on Stout Restricted Stock Study Companion Guide 2024 published by Stout Risius Ross, LLC, a DLOM of approximately 15.60% has been adopted. |

| Specific assumptions | Input | Basis of assumptions |
|---|---|---|
| Discount for Lack of Control | 14.7% | Based on the FactSet/BVR Control Premium Study 4th Quarter, 2024 published by Business Valuation Resources, LLC, a DLOC of approximately 14.7% has been adopted. This represents the median minority discount on equity for transactions in 2024 involving minority interests ranging from 0.1% to 25% according to the study. |
| Discount Rate | 14% | Market derived cost of equity ("**COE**") was adopted in determining the appropriate discount rate in the valuation of the equity. In estimating the COE, the Valuer considered market data concerning the companies that engaged in similar business of SCFL. Comparable public companies with businesses similar with the valuation target were selected.<br><br>The Capital Asset Pricing Model ("**CAPM**") adjusted for specific risks associated with the industry was applied to estimate the current market yield required on equity.<br><br>The CAPM is represented by the following algebraic equation:<br><br>CAPM = Risk-Free Rate + (Relevered Beta x Market Risk Premium) + Size Premium + Company-Specific Risk Premium<br><br>The 10-year government bond yield of the PRC about 1.65% as of the 30 June 2025 as extracted from Bloomberg was adopted as the Risk-Free Rate of Return.<br><br>The Valuer reviewed the betas of the guideline companies to ascertain a proxy for an industry beta. Once the industry beta was estimated, the beta was relevered with the industry's average debt-to-equity ratio. The average debt-to-equity ratio was about 4.44 and relevered beta was about 1.87. |

| Specific assumptions | Input | Basis of assumptions |
|---|---|---|
| | | The market risk premium of the PRC of about 5.27% as of the 30 June 2025 as sourced from Damodaran Online was adopted.<br><br>The size of SCFL falls in the 9th decile according to the CRSP Deciles Size Study and therefore, the Valuer utilized a size premium of 1.73%, which is extracted from the Kroll Cost of Capital Navigator.<br><br>Company-specific risk premium of 1% was adopted with a consideration of the forecast risks/uncertainly associated with achievability of the projection of SCFL. |

*Assumptions*

The major assumptions adopted by the Valuer in the appraisal are:

- Unaudited consolidated management accounts of SCFL for the six months period ended 30 June 2025 as provided by the management of the Company can reasonably represent its financial position and performance of SCFL as of 30 June 2025 since audited financial accounts as of 30 June 2025 were not available;

- It is assumed the total balance of the borrowings and financial leasing related operating liabilities of SCFL will be maintained at the same level as the total balance of its financial leasing related long-term receivables and other non-current financial assets to support the operation and future development of SCFL over the forecasted period. Any unutilized borrowings and financial leasing related operating liabilities will be repaid;

- There will be no major changes in the current taxation laws in the territories (the "**SCFL Territories**") in which SCFL operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic or financial conditions in the SCFL Territories in which SCFL operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of SCFL;

- SCFL will retain and have competent management, key personnel, and technical staff to support its ongoing operation;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which SCFL operates or intends to operate has or would be officially obtained and renewable upon expiry;

- Industry trends and the market conditions for related industries will not deviate significantly from economic forecasts; and

- All information and representations provided by the management of the Company, for which they are solely and wholly responsible for are true, accurate and complete in all material respect.

*The Board's Assessment*

The Valuer advised that the bases and assumptions of the valuation are those commonly used in valuations of equity interests in companies. The Board considers the methodologies, assumptions and bases adopted by the Valuer for the valuation are commonly used and reasonable in establishing the appraised value of 18.06% equity interest in SCFL and hence considers that the valuation conducted by the Valuer is fair, reasonable and appropriate.

**Payment**

The SCFL Consideration shall be paid by Science City to Royal Finance Lease in full within 10 working days after the date of the SCFL Completion by way of bank transfer.

The payment of the SCFL Consideration shall be conditional upon:

(a) Science City having received all Registration Documents and such Registration Documents remaining to be effective;

(b) completion of the SCFL Industrial and Commercial Registration and SCFL having obtained a new business license;

(c) the representations, warranties and undertakings given by Royal Finance Lease under the SCFL Equity Transfer Agreement being true, complete and effective;

(d) there having been no material adverse change in the conditions of SCFL, which shall be determined at the sole discretion of Science City; and

(e) Royal Finance Lease having fulfilled all its obligations under the SCFL Equity Transfer Agreement, and there having been no material breach of any provisions in the SCFL Equity Transfer Agreement.

**Conditions Precedent**

The SCFL Completion is subject to the fulfillment or waiver (as the case may be) of all of the following conditions precedent:

(a) the representations, warranties and undertakings given by Royal Finance Lease in the SCFL Equity Transfer Agreement remaining to be true, complete and effective;

(b) based on Royal Finance Lease's reasonable belief and to its knowledge, except as disclosed to Science City, there are no claims, litigations, or proceedings pending or threatened against SCFL that would have a material effect on the operations of SCFL;

(c) the board of directors of Royal Finance Lease having passed the board resolutions approving the SCFL Disposal, and such board resolutions remaining to be effective;

(d) Royal Finance Lease having fulfilled all its obligations in accordance with the SCFL Equity Transfer Agreement, and there having been no material breach of any provisions in the SCFL Equity Transfer Agreement;

(e) the circular of the Company in respect of the SCFL Disposal having obtained the approval or no comment confirmation from the Stock Exchange, and having been despatched to the Shareholders;

(f) the SCFL Disposal having been approved by the Independent Shareholders at the EGM in accordance with the Listing Rules, and all other consent(s) and approval(s) in respect of the SCFL Disposal under the Listing Rules having been obtained, or a waiver from the Stock Exchange from compliance with any such rules having been otherwise obtained;

(g) all necessary waivers, consents and approvals from relevant governmental or regulatory authorities or other relevant third parties (if necessary) in respect of the SCFL Disposal having been obtained;

(h) there having been no material adverse change, which shall be determined at the sole discretion of Science City;

(i) Royal Finance Lease having provided to Science City proof that the SCFL Disposal has been approved by its highest authority or such other body or individual empowered to approve the SCFL Disposal (including the new articles of association of SCFL), and such approval remaining to be effective; and

(j) all the conditions precedent under the Hengcheng Equity Transfer Agreement (other than the condition precedent in relation to the fulfillment or waiver of the conditions precedent under the SCFL Equity Transfer Agreement) having been fulfilled or waived (if applicable).

The parties to the SCFL Equity Transfer Agreement shall use their reasonable efforts to ensure that the conditions precedent above will be satisfied as soon as practicable. The conditions (a), (b), (d), (h) and (i) may be waived by Science City in its absolute discretion. For the avoidance of doubt, none of the other conditions precedent is waivable by any of the parties to the SCFL Equity Transfer Agreement.

As at the Latest Practicable Date, save as condition (g), none of the conditions precedent to the SCFL Completion has been satisfied or waived.

**The SCFL Completion**

Science City, Royal Finance Lease and SCFL shall register the transfer of the SCFL Equity Interest and the new articles of association of SCFL, and obtain a new business license reflecting the transfer of the SCFL Equity Interest (collectively, the "**SCFL Industrial and Commercial Registration**") as soon as possible but within 10 working days from the fulfilment or waiver (as the case may be) of all the conditions precedent.

The SCFL Completion shall take place upon the completion of the SCFL Industrial and Commercial Registration and the obtaining of the new business license by SCFL.

**Termination**

The SCFL Equity Transfer Agreement shall be terminated (except for any antecedent breaches) upon the occurrence of the following events (whichever is the earliest):

(a) upon the unanimous agreement of the parties; or

(b) upon the satisfaction in full of all obligations of the parties under the SCFL Equity Transfer Agreement; or

(c) the conditions precedent not having been fulfilled or waived on or before 31 December 2025 (or such later date as may be agreed by Royal Finance Lease and Science City in writing).

Pursuant to the SCFL Equity Transfer Agreement, each of the parties to the SCFL Equity Transfer Agreement reserves the rights, remedies and power to initiate claims in respect of any antecedent breaches before the termination of the SCFL Equity Transfer Agreement.

Under PRC laws (which is the governing law of the SCFL Equity Transfer Agreement), the SCFL Equity Transfer Agreement will terminate following the performance in full of all obligations of all parties, such that there will be no outstanding obligations on the part of each party. In case where there is any antecedent breaches discovered subsequent to the termination of the SCFL Equity Transfer Agreement, the parties are entitled to, both by the operation of law and under the terms and conditions of the SCFL Equity Transfer Agreement, claim appropriate remedies in respect of such breaches.

## 3. THE HENGCHENG DISPOSAL

The principal terms of the Hengcheng Equity Transfer Agreement are as follows:

**Date**

22 September 2025 (after trading hours)

**Parties**

(i) Ocean Concept Limited, as vendor;

(ii) Science City (Guangzhou) Development Group Co., Ltd.* (科學城(廣州)發展集團有限公司), as purchaser;

(iii) Guangdong Hengcheng Furniture Co., Ltd.* (廣東恒誠傢俬有限公司); and

(iv) Royale Home Holdings Limited.

**Assets to be Disposed of**

Pursuant to the Hengcheng Equity Transfer Agreement, Ocean Concept has conditionally agreed to sell, and SC Development has conditionally agreed to purchase, 100% of the equity interest in Hengcheng, together with all rights and interests attached thereto with effect from the date of the Hengcheng Completion.

Upon the Hengcheng Completion, the remaining assets and liabilities within Hengcheng would be the Hengcheng Target Assets and Liabilities (i.e. the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities), being the subject matter of the Hengcheng Disposal.

**Consideration**

The Hengcheng Consideration to be paid by SC Development to Ocean Concept is RMB11,338,566.62.

The Hengcheng Consideration was determined after arm's length negotiations between SC Development and Ocean Concept, with reference to, among others, the valuation of 100% of the equity interest in Hengcheng which amounted to RMB10,800,000 as at 30 June 2025, based on the cost approach, as contained in a valuation report prepared by the Valuer as set out in Appendix VI to this circular. The valuation of the equity interest in Hengcheng was conducted on the assumption that completion of the Hengcheng Reorganisation has taken place, given that completion of the Hengcheng Reorganisation is a condition precedent to the Hengcheng Completion.

***Valuation***

*Identity of Valuer and Qualifications*

The Valuer is International Valuation Limited and has confirmed its independence from the Company and its connected persons.

The valuation report of 100% equity interest in Hengcheng was prepared by Ms. Winnie Lam and Mr. Kevin Kwong, details of the qualifications and experiences of whom are set out in the sub-section headed "The SCFL Disposal – Valuation – Identity of Valuer and Qualifications" in this circular.

The valuation reports of the Hengcheng Land and Construction Interests as set out in Appendix VIIA and VIIB to this circular was prepared by Mr. Vincent Pang. Mr. Vincent Pang is a Member of the Hong Kong Institute of Surveyors (General Practice Division), a Member of the Royal Institution of Chartered Surveyors (Valuation) and a Registered Professional Surveyor (General Practice) with over 28 years of experience in property valuation and advisory services in the Greater China region and various overseas countries.

The Directors have assessed the qualifications, experience and track record of the Valuer and are of the view that the Valuer is qualified, experienced and competent in performing the valuation of 100% equity interest in Hengcheng and Hengcheng Land and Construction Interests.

*Valuation Standards and Methodology*

The valuation report as set out in Appendix VI to this circular was prepared in accordance with International Valuation Standards 2025.

In estimating the market value of the equity interest in Hengcheng, the Valuer relied primarily on the cost approach, under which each of the individual assets and liabilities of

Hengcheng are valued on the market value basis. After the Hengcheng Reorganisation, Hengcheng will mainly hold the Hengcheng Land and Construction Interests, and it will no longer be able to continue its existing principal business of furniture production. Therefore, it was the Valuer's view that the market value of Hengcheng will primarily reside in these remaining assets after the Hengcheng Reorganisation. In addition, specific assumptions and market data that are most relevant to the Hengcheng Land and Construction Interests could be taken into consideration when assessing their market values. Hence, the Valuer considered the adoption of the cost approach is fair and reasonable.

The market approach benchmarks Hengcheng's equity value to that of the publicly trading comparable companies based on the similarity and comparability on their financial performances and business nature. Since the specific attributes and location of the Hengcheng Land and Construction Interests remained in Hengcheng after the Hengcheng Reorganisation are vastly different across different companies, the market approach is not appropriate for the valuation in view of such possible fundamental difference between Hengcheng and publicly trading comparable companies. Also, the discontinuation of the existing principal business of Hengcheng makes it infeasible to conduct a meaningful comparison with publicly traded comparable companies.

The income approach was not adopted since prospective financial projection at market participants' point of view, which is subject to a number of assumptions and contingent factors, was not reliably available. There is no business development plan of Hengcheng after the Hengcheng Reorganisation. Concerning that the valuation would be significantly impacted by any inappropriate assumptions made in the cashflow forecast of Hengcheng, it was considered that the income approach was not appropriate for the valuation.

*Key Inputs*

Based on the unaudited consolidated management accounts of Hengcheng for the six months ended 30 June 2025, after the Hengcheng Reorganisation, the assets of Hengcheng mainly include cash and cash equivalents, other current assets, other receivables, amount due from Ocean Concept (a wholly-owned subsidiary of the Company, as the vendor), the Hengcheng Land and Construction Interests and deferred tax assets; while the liabilities of Hengcheng mainly include other payables, amount due to the Company, non-current liabilities due within one year and deferred income.

The aggregate market value of the Hengcheng Land and Construction Interests under the assumption that the Hengcheng Land and Construction Interests can be freely transferred in the market without restriction is approximately RMB103,000,000 as of 30 June 2025.

Based on the above analysis, all assets and liabilities of Hengcheng, after the Hengcheng Reorganisation, are valued on the market value basis. The market values of the assets and liabilities are netted off to arrive at our concluded market value of Hengcheng.

Details of the calculation are illustrated as follows:

| | Market Value<br>*RMB* |
|---|---|
| **Current assets** | |
| Cash and cash equivalents | 10,182,766 |
| Other current assets | 633,419 |
| Other receivables | 727,273 |
| Amount due from the vendor | 18,000,000 |
| | **29,543,458** |
| **Non-current assets** | |
| The Hengcheng Land and Construction Interests | 103,000,000 |
| Deferred tax assets | 1,689,417 |
| | **104,689,417** |
| **Current liabilities** | |
| Other payables | (210,864) |
| Amount due to the Company | (122,135,160) |
| Non-current liabilities due within one year | (1,081,570) |
| | **(123,427,594)** |
| **Non-current liabilities** | |
| Deferred income | – |
| | **–** |
| **Net asset value** | **10,805,281** |
| **Value of 100% Equity Interest** | **10,805,281** |
| **Value of 100% Equity Interest (Rounded)** | **10,800,000** |

The difference between (1) the market value of the net asset value of 100% equity interest in Hengcheng based on the valuation conducted by the Valuer of approximately RMB10.81 million, and (2) the net asset value of Hengcheng based on the unaudited financial information of Hengcheng of approximately RMB11.9 million represents (i) the fair value loss on the Hengcheng Land and Construction Interests of approximately RMB3.20 million and (ii) the adjustment on deferred income of Hengcheng of approximately RMB2.11 million.

Deferred income represents government grant received by Hengcheng for reimbursements of capital expenditure spent on manufacturing activities, which has been recorded as deferred income in December 2024. It is unlikely that the government grant will be required by the local government to be returned, and it should be recognized in the profit or loss statement as undistributed profits. As such, given the nature of the deferred income and the expected minimal risk of its return required by the local government, the market value of deferred income would be considered as zero.

Other receivables is a guarantee deposit paid to a third party financier of approximately RMB0.73 million as of 30 June 2025. The amount due from the vendor comprises two inter-company advances totalling approximately RMB18 million provided by Hengcheng to Ocean Concept, a wholly-owned subsidiary of the Company, in July and August 2023. These advances were in nature intra-group fund management arrangements of the Group, for the purposes of supporting Ocean Concept's funding needs, including daily business operations and repayment of overseas debts. There had been no change in the outstanding amount of the amount due from the vendor between 31 August 2023 and 30 June 2025, during which both Ocean Concept and Hengcheng were wholly-owned subsidiaries under the common control of the Company and hence no repayment was made according to the Group's discretion on the internal management and allocation of funds. It is a consensus that the amount due from the vendor will be repaid by Ocean Concept to Hengcheng within one year from 30 June 2025.

Based on the nature of the aforementioned other receivables and amount due from the vendor, the Company considers that the possibility of default or non-repayment of these other receivables from the third party financier and the amount due from the vendor is minimal. Besides, the Company has also reviewed the other receivables and amount due from the vendor, and has made impairment adjustments on those long outstanding balances and on those balances that cannot be recovered if applicable. Hence, it is expected that there is no significant difference between market values and book values of the other receivables and the amount due from the vendor. Additionally, Hengcheng expects the recovery of such amounts would be made within one year from 30 June 2025 and after the completion of the Hengcheng Disposal. Given the short-term nature of the other receivables and amount due from the vendor, their net book values are deemed to have closely reflected their market values without any discount or premium to be applied.

*Assumptions*

The major assumptions adopted by the Valuer in the appraisal are:

- unaudited consolidated management accounts of Hengcheng for the six months period ended 30 June 2025, after the Hengcheng Reorganisation, as provided by the management of the Company can reasonably represent its financial position and performance of Hengcheng as of 30 June 2025 since audited financial accounts as of 30 June 2025 was not available;

- there will be no major changes in the current taxation laws in the territories (the "**Hengcheng Territories**") in which Hengcheng operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- there will be no major changes in the political, legal, economic or financial conditions in the Hengcheng Territories in which Hengcheng operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of Hengcheng;

- all relevant legal approvals and business certificates or licenses to operate the business in the localities in which Hengcheng operates or intends to operate has or would be officially obtained and renewable upon expiry;

- industry trends and the market conditions for related industries will not deviate significantly from economic forecasts; and

- all information and representations provided by the management of the Company, for which they are solely and wholly responsible for are true, accurate and complete in all material respect.

*The Board's Assessment*

The Valuer advised that the bases and assumptions of the valuation are those commonly used in valuations of equity interests in companies. The Board considers the methodologies, assumptions and bases adopted by the Valuer for the valuation are commonly used and reasonable in establishing the appraised value of 100% equity interest in Hengcheng and hence considers that the valuation conducted by the Valuer is fair, reasonable and appropriate.

Based on a property valuation report prepared by the Valuer as set out in Appendix VIIB to this circular, the appraised value of the Hengcheng Land and Constructions Interests is approximately RMB103.7 million as at 31 August 2025, representing an increase of RMB0.7 million from the appraised value of the Hengcheng Land and Constructions Interests of approximately RMB103.0 million as at 30 June 2025 as set out in

the property valuation report prepared by the Valuer as set out in Appendix VIIA to this circular adopted in the valuation of 100% equity interests in Hengcheng. The increase of RMB0.7 million represents an insignificant increase in fair value of the Hengcheng Land and Construction Interests, representing mainly the slight increase in cost incurred and hence appreciation of the value of construction-in-progress which is in the ordinary course of business of Hengcheng. After considering the degree of increase and the nature of the increase in value, the Board is of the view that such increase has no material impact on the fair value of 100% of the equity interest in Hengcheng (after the Hengcheng Reorganisation) and hence its assessment of the Hengcheng Consideration.

**The Hengcheng Reorganisation**

It was agreed between Ocean Concept and SC Development that the subject matter of the Hengcheng Disposal is the Hengcheng Land and Constructions Interests. The parties have therefore agreed to undergo the Hengcheng Reorganisation such that, upon the Hengcheng Completion, (1) the Hengcheng Excluded Assets and Liabilities will be disposed of by Hengcheng to the Remaining Group; and (2) the Hengcheng Target Assets and Liabilities will be the remaining assets and liabilities within Hengcheng.

It was agreed in the Hengcheng Equity Transfer Agreement that the Hengcheng Reorganisation shall be a condition precedent to the Hengcheng Completion, in relation to which Hengcheng shall (a) dispose of or transfer out all Operation Related assets and liabilities of Hengcheng to the Remaining Group, (b) settle certain subsisting third party financings through funds provided by the Remaining Group; (c) transfer all employees of Hengcheng to the Remaining Group; and (d) terminate or assign all subsisting Operation Related contracts entered into between Hengcheng and third parties to the Remaining Group, such that Hengcheng shall cease to be bound by the said contracts. As at the Latest Practicable Date, the Hengcheng Reorganisation was in progress.

The Hengcheng Reorganisation is a process whereby the Hengcheng Excluded Assets and Liabilities (i.e. assets and liabilities relating to the manufacturing and sale of furniture operations of Hengcheng) would be transferred out of Hengcheng, such that the remaining assets and liabilities within Hengcheng would be the Hengcheng Target Assets and Liabilities (i.e. the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities), being the subject matter of the Hengcheng Disposal. In respect of the transfer of the Hengcheng Excluded Assets and Liabilities and relevant rights and obligations, it is estimated that the value of liabilities assumed would exceed the value of assets acquired by the Remaining Group, thereby giving rise to a net deficit in the form of net obligations on the part of Hengcheng to pay the Remaining Group (the "**Net Reorganisation Obligations**"). It was agreed in the Hengcheng Equity Transfer Agreement that, within five (5) working days after the completion of the Transition Period Audit, Hengcheng shall settle in full the Net Reorganisation Obligations, which shall be funded by capital contribution(s) or shareholder's loan(s) made by SC Development to Hengcheng.

The payment terms in respect of the Net Reorganisation Obligations represent binding obligations on the part of SC Development in the Hengcheng Equity Transfer Agreement. Taking into account (1) the recourse available to the Group under the Hengcheng Equity Transfer Agreement should SC Development be in breach, (2) the background and strong financial capabilities of SC Development, including cash of approximately RMB491.07 million, net current assets of approximately RMB1,861 million and total assets of approximately RMB21,716 million as at 31 December 2024, as shown in the audited financial statements of SC Development for the year ended 31 December 2024, and (3) the parent and subsidiary relationship between Science City and the Group, the Directors consider that the default risk associated with the Net Reorganisation Obligations is low.

As at 30 June 2025, the net assets value of the Hengcheng Target Assets and Liabilities was approximately RMB11.90 million, and the net liabilities value (i.e. the Net Reorganisation Obligations) of the Hengcheng Excluded Assets and Liabilities was approximately RMB122.14 million. Set out below are details of the Operation Related assets and liabilities, i.e. the Hengcheng Excluded Assets and Liabilities:

| | **Value as at 30 June 2025** *RMB'000* |
|---|---|
| **Operation Related assets** | |
| Plant and machinery for production | 11,435 |
| Inventories | 6,407 |
| Amount due from the Group | 229,115 |
| Other assets | 1,267 |
| **Sub-total** | **248,224** |
| **Operation Related liabilities** | |
| Trade payables | (7,774) |
| Other payables | (879) |
| Borrowings | (90,818) |
| Amount due to the Group | (270,888) |
| **Sub-total** | **(370,359)** |
| **Net Reorganisation Obligations** | **(122,135)** |

The Company has reviewed all the Operation Related assets, Operation Related liabilities and Net Reorganisation Obligations, and no impairment or adjustments have been made. Hence, it is expected that there is no significant difference between market value and book value of all the Operation Related assets, Operation Related liabilities and Net

Reorganisation Obligations. The book values of all the Operation Related assets, Operation Related liabilities and Net Reorganisation Obligations are deemed to have fully reflected its market value as of 30 June 2025 for Hengcheng.

The Group has formulated a transition plan (the "**Transition Plan**") in respect of the transfer of the Hengcheng Excluded Assets and Liabilities to the Remaining Group, details of which are set out as follows:

(a) the Company is currently in negotiation with SC Development for the lease of the production facility (i.e. the land and factory buildings constituting the Hengcheng Land and Construction Interests) of Hengcheng after the Hengcheng Completion (the "**Lease**"). Should such Lease materialise, the Remaining Group will be able to continue with the operations originally carried out by Hengcheng at the same production facility. It is expected that no relocation cost will be incurred in connection with such arrangement. As SC Development is a connected person of the Company, the Lease, if materialised, will constitute a connected transaction or a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The Company will comply with all applicable requirements under Chapters 14 and 14A of the Listing Rules in relation to the Lease as and when appropriate. As at the Latest Practicable Date, negotiations between the Company and SC Development in relation to the Lease was on-going. The Company will negotiate with SC Development on an arm's length basis and ensure that the Lease will be on terms no less favourable to the Group than terms available from independent third parties. In the event that the terms of the Lease offered by SC Development are less favourable to the Group than those offered by independent third parties, the Group will not enter into the Lease and will at its best effort further negotiate with SC Development for more favourable terms or resort to lease(s) offered to the Group by independent third parties; and

(b) alternatively, the Group has been formulating a relocation plan, in the event that the Company eventually decides to continue with the operations originally carried out by Hengcheng at a different premise. After market research and enquiries, the Company understands that there are sufficient alternative premises of comparable size and similar usage in the vicinity for lease. The Company considers there will be no material impediment for the Remaining Group to lease nearby premises for the continuation of the operations of Hengcheng. The Company plans to relocate the machinery and equipment currently held by Hengcheng in phases, with an overall relocation timeframe of approximately one month. It is estimated that relocation costs of approximately RMB1.0 million will be incurred in connection with such arrangement, on the basis that the relocation will be carried out by the Remaining Group internally. The Company will formulate an organised relocation plan and draw up an efficient production

schedule for the utilization of production resources and capacities, including but not limited to partial sub-contracting of production functions to other entities within the Remaining Group or third parties where appropriate.

The Company estimates that the Lease or the relocation under the Transition Plan is expected to materialise in the first half of 2026. Further announcement will be made by the Company in respect of any material update(s) on the Transition Plan (including but not limited to the solution eventually adopted) as and when appropriate.

**Transition Period Arrangements**

Any profits generated and any losses incurred in respect of the Hengcheng Target Assets and Liabilities of Hengcheng during the Transition Period shall be vested in or borne by Hengcheng.

**Payment**

The Hengcheng Consideration shall be paid by SC Development to Ocean Concept in the following manner:

(a) an amount of RMB200,000 shall be retained by SC Development as security deposit (the "**Security Deposit**") in relation to an on-going litigation concerning certain contractual disputes between Hengcheng and a third party. Within 10 working days after the provision of all relevant proof of the final conclusion of the case and payment of relevant fees (if any), (1) if the Security Deposit is sufficient to cover the costs arising from the litigation, SC Development shall pay the remaining balance of the Security Deposit to Ocean Concept; or (2) if the costs arising from the litigation exceed the Security Deposit, Ocean Concept shall compensate SC Development for the difference; or (3) if Hengcheng obtains a judgment in favour of its counterclaim(s) with an awarded amount exceeding its judgment liabilities, the net gain together with the Security Deposit (after deducting costs of the litigation) shall be paid by SC Development to Ocean Concept; and

(b) SC Development shall pay RMB11,138,566.62 (being the Hengcheng Consideration after deducting the Security Deposit) to Ocean Concept in full by way of bank transfer within 15 working days after the date of the Hengcheng Completion, provided that Ocean Concept has provided a completion certificate to SC Development.

**Conditions Precedent**

The Hengcheng Completion is subject to the fulfillment or waiver (as the case may be) of all of the following conditions precedent:

(a) SC Development having completed its due diligence with the cooperation of Hengcheng and Ocean Concept, and the results of such due diligence satisfy the requirements of SC Development and relevant requirements of state-owned assets supervision and administration authorities;

(b) completion of the Hengcheng Reorganisation, including the following events:

(i) the debts and obligations (with a total loan amount of not more than RMB50 million) of Hengcheng contemplated under all loan agreements entered into between Hengcheng and certain banks, together with relevant agreements and legal documents, having been performed in full, at the expense of Ocean Concept;

(ii) the debts and obligations of Hengcheng contemplated under a finance lease agreement entered into between Hengcheng and a financier, together with relevant agreement(s) and legal documents, having been performed in full, and the relevant leased asset(s) having been bought back by a party designated by Ocean Concept, at the expense of Ocean Concept;

(iii) Hengcheng having laid off all its employees, and all the employees having confirmed in writing that they shall not have any right and claim against Hengcheng, at the expense of Ocean Concept; and

(iv) Hengcheng having terminated or changed all subsisting Operation Related contracts, agreements or legal documents entered into with third parties, such that Hengcheng shall cease to be bound by the said contracts, agreements or legal documents, at the expense of Ocean Concept;

(c) Hengcheng and Ocean Concept having completed all necessary corporate governance documents and legal documentations for the transfer of the Hengcheng Equity Interest, including but not limited to all documents for industrial and commercial changes required for the transfer of the Hengcheng Equity Interest and valid, duly prepared and signed resolutions of Ocean Concept for the transfer of the Hengcheng Equity Interest; Hengcheng having amended and signed the new articles of association or articles of association amendments of Hengcheng in respect of the transfer of the Hengcheng Equity Interest and relevant matters contemplated under the Hengcheng Equity Transfer Agreement;

(d) the Hengcheng Disposal having been approved by SC Development's decision-making body or supervising authority, and such approval remaining to be effective up to the date of the Hengcheng Completion;

(e) SC Development having received the written resignation letters of the existing legal representative, director(s), general manager, supervisor(s) and the finance director of Hengcheng;

(f) all consents from third parties and regulatory authorities (including stock exchanges) required for the transfer of the Hengcheng Equity Interest and the Hengcheng Disposal having been obtained, and such consents being legal and effective;

(g) except as provided in the Hengcheng Equity Transfer Agreement, as at the date of the Hengcheng Completion, there having been no material change to the Hengcheng Equity Interest (for example, changes in law, tax or market environment) which may have a material adverse effect on Hengcheng's financial condition, prospects, operating results, general business conditions, equity, business or value of its principal assets; and there having been no events or facts that may lead to such changes;

(h) as at the date of the Hengcheng Completion, except as provided in the Hengcheng Equity Transfer Agreement, there having been no material government investigations, penalties, enforcement measures, lawsuits or other dispute proceedings that may have an adverse impact on the Hengcheng Disposal or its legality, or on the operations or condition of Hengcheng;

(i) the representations and warranties given by Hengcheng and Ocean Concept in the Hengcheng Equity Transfer Agreement remaining to be true, accurate, complete and not misleading, and the same not having been breached as at the date of the Hengcheng Equity Transfer Agreement and the date of the Hengcheng Completion;

(j) all the conditions precedent under the SCFL Equity Transfer Agreement (other than the condition precedent in relation to the fulfillment or waiver of the conditions precedent under the Hengcheng Equity Transfer Agreement) having been fulfilled or waived (if applicable); and

(k) the Hengcheng Disposal having been approved by the Independent Shareholders at the EGM in accordance with the Listing Rules, and all other consent(s) and approval(s) in respect of the Hengcheng Disposal under the Listing Rules having been obtained, or a waiver from compliance with any such rules from the Stock Exchange having otherwise been obtained.

The parties to the Hengcheng Equity Transfer Agreement shall use their best efforts to procure the satisfaction of the conditions precedent above as soon as possible, and in any event not later than the Hengcheng Long Stop Date (i.e. 31 December 2025, or such other date as may be agreed by SC Development and Ocean Concept in writing). If any of the conditions precedent is not satisfied or waived (as the case may be) on or before the Hengcheng Long Stop Date, the Hengcheng Equity Transfer Agreement shall lapse.

The conditions (a), (b), (e), (g), (h) and (i) may be waived in full or in part by SC Development in its absolute discretion. For the avoidance of doubt, none of the other conditions precedent is waivable by any of the parties to the Hengcheng Equity Transfer Agreement.

As at the Latest Practicable Date, except for conditions (a) and (f), none of the conditions precedent to the Hengcheng Completion has been satisfied or waived.

**The Hengcheng Completion**

Ocean Concept shall procure Hengcheng to complete the relevant industrial and commercial registration procedures (including but not limited to registration of the change of shareholder of Hengcheng and the new articles of association of Hengcheng (collectively, the "**Hengcheng Industrial and Commercial Registration**")) as soon as possible but within five (5) working days from the fulfilment or waiver (as the case may be) of all the conditions precedents.

The Hengcheng Completion shall take place upon the completion of the Hengcheng Industrial and Commercial Registration.

**Guarantee**

The Company has provided a guarantee to SC Development in respect of all the liabilities of Hengcheng and Ocean Concept under the Hengcheng Equity Transfer Agreement, including the liabilities set out below:

(a) all existing and future obligations of Ocean Concept under the Hengcheng Equity Transfer Agreement (including but not limited to the refund of the Hengcheng Consideration, liquidated damages, fines, taxes, compensation for losses, etc.);

(b) Ocean Concept's and Hengcheng's liability for breach of contract arising from their breach of the commitments and guarantees under the Hengcheng Equity Transfer Agreement;

(c) all debts of Hengcheng existing before the date of the Hengcheng Completion, or disputes, claims or costs after the date of the Hengcheng Completion arising by reason of Hengcheng before the date of the Hengcheng Completion (including but not limited to contractual debts, tort debts, taxes, administrative penalties, undisclosed debts and contingent liabilities);

(d) any form of guarantee obligations provided by Hengcheng to any third party before the date of the Hengcheng Completion;

(e) all losses suffered by SC Development due to the concealment or omission of disclosure by Ocean Concept or Hengcheng; and

(f) reasonable expenses incurred by SC Development in realising its creditor's rights (including but not limited to investigation and evidence collection fees, notarisation fees, litigation/arbitration fees, preservation fees, property preservation insurance premiums, attorney's fees, consulting fees and court execution fees, etc.).

## 4. INFORMATION OF ASSETS TO BE DISPOSED OF UNDER THE DISPOSALS

### Information of SCFL

SCFL is a company established in the PRC with limited liability. The principal business activity of SCFL is finance leasing.

As at the Latest Practicable Date, the Group through Royal Finance Lease held 18.06% equity interest in SCFL, and Science City held 81.94% equity interest in SCFL.

***Financial Information of SCFL***

Set out below is a summary of the financial information of SCFL for the two years ended 31 December 2023 and 2024, and the six months ended 30 June 2025 as extracted from Appendix IIA to this circular:

| | **For the six months ended 30 June 2025** | **For the year ended 31 December** | |
|---|---|---|---|
| | | **2024** | **2023** |
| | *RMB million* (unaudited) | *RMB million* (audited) | *RMB million* (audited) |
| Net profit/(loss) before taxation | (20.15) | 74.64 | 70.80 |
| Net profit/(loss) after taxation | (17.54) | 55.30 | 54.14 |

SCFL turned from a net profit after taxation of approximately RMB55.30 million for the year ended 31 December 2024 to a net loss after taxation of approximately RMB17.54 million for the six months ended 30 June 2025, which was mainly attributable to decrease in revenue due to less finance lease projects undertaken compared to prior years, compounded by the fixed overhead. Given the sluggish economy in the PRC, SCFL had been conservative in accepting clients and committing to finance lease projects for risk management purpose which led to decrease in revenue.

The unaudited net asset value of SCFL as at 30 June 2025 was approximately RMB1,814.26 million.

**Information of Hengcheng**

Hengcheng is a company established in the PRC with limited liability. The principal business activity of Hengcheng is manufacturing and sale of sofa.

As at Latest Practicable Date, the Group through Ocean Concept held the entirety of the equity interest in Hengcheng.

***Financial Information of Hengcheng***

Set out below is a summary of the financial information of Hengcheng for the two years ended 31 December 2023 and 2024, and the six months ended 30 June 2025 as extracted from Appendix IIB to this circular:

| | **For the six months ended 30 June 2025** | **For the year ended 31 December 2024** | **2023** |
|---|---|---|---|
| | *RMB million* (unaudited) | *RMB million* (audited) | *RMB million* (audited) |
| Net loss before taxation | – | (9.56) | (20.35) |
| Net loss after taxation | (4.86) | (7.17) | (15.31) |

The unaudited net asset value of Hengcheng as at 30 June 2025 was approximately RMB11.9 million. As at 30 June 2025, assuming the completion of the Hengcheng Reorganisation has taken place, the unaudited net asset value of Hengcheng (i.e. the Hengcheng Target Assets and Liabilities) is estimated to be approximately RMB11.9 million. As it is estimated that the value of liabilities assumed would exceed the value of assets acquired by the Remaining Group, the Hengcheng Reorganisation will give rise to the Net Reorganisation Obligations. Upon the completion of the Hengcheng Reorganisation, the Remaining Group will take up net liabilities from Hengcheng. It was agreed in the Hengcheng Equity Transfer Agreement that Hengcheng shall compensate the Remaining Group for the deficit (i.e. the Net Reorganisation Obligations amounting to RMB122,135,160 as at 30 June 2025). Therefore, the Net Reorganisation Obligations will

be recognised as "amount due to the Company" in Hengcheng's accounts upon completion of the Hengcheng Reorganisation. In the accounts of Hengcheng, the Hengcheng Reorganisation would have the effect of shifting and transforming the net liabilities owing to third parties (in the amount of RMB122,135,160 as at 30 June 2025) in respect of the Hengcheng Excluded Assets and Liabilities into "amount due to the Company" in a sum equated to the Net Reorganisation Obligations (i.e. RMB122,135,160 as at 30 June 2025).

After the completion of the Hengcheng Reorganisation, Hengcheng will hold the Hengcheng Target Assets and Liabilities, which are primarily the Hengcheng Land and Constructions Interests and borrowings. For the two years ended 31 December 2024 and the six months ended 30 June 2025, the Hengcheng Target Assets and Liabilities were used in production and were carried at cost less accumulated depreciation without carrying an independent income stream. The Hengcheng Land and Construction Interests cannot have a separate profit or loss allocation from the financial information of Hengcheng for the two years ended 31 December 2024 and the six months ended 30 June 2025 as they were integral to production operations, supporting production lines rather than generating an independent income stream. These assets did not operate standalone but functioned as essential infrastructure for overall operations. Costs, such as depreciation and amortization, were incorporated into the broader production cost structure, making it impossible to isolate their financial contribution. Due to their integral role in production, the financial results of the Hengcheng Land and Construction Interests are inseparable from those of other operating assets. As a result, the Company considers that it is not possible and meaningful to allocate a distinct profit or loss to these assets.

Upon the completion of the Hengcheng Reorganisation, the Hengcheng Excluded Assets and Liabilities (which, after netting off, would be in deficit) will be transferred from Hengcheng to the Remaining Group, which will in turn give rise to the Net Reorganisation Obligations payable by Hengcheng to the Remaining Group. Before the completion of the Hengcheng Reorganisation, Hengcheng will be in a position (after netting off the assets and liabilities amongst the Hengcheng Excluded Assets and Liabilities) with net obligations owing to external parties; while after the completion of the Hengcheng Reorganisation, Hengcheng will be in a position (after netting off the assets and liabilities amongst the Hengcheng Excluded Assets and Liabilities) with net obligations owing to the Remaining Group. Hence, the net asset value of Hengcheng is expected to remain constant before and after the Hengcheng Reorganisation.

***The Hengcheng Land and Constructions Interests***

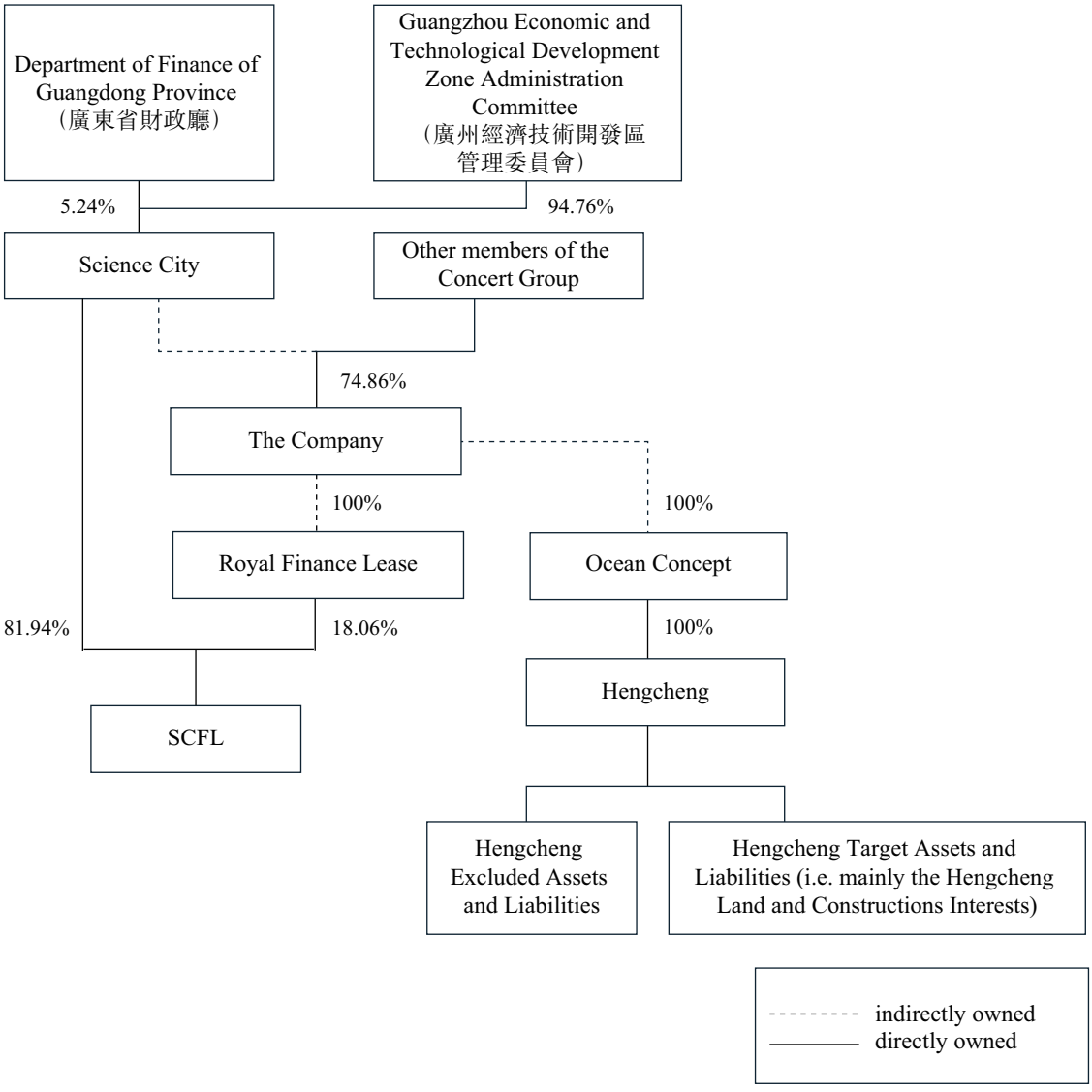
Hengcheng holds the Hengcheng Land and Constructions Interests, being a parcel of land with a total land area of approximately 75,092 square metres for industrial use located at Launch District in Guangde (Yingde) Industrial Park, Guangqing Economic Special Cooperation Zone* (廣清經濟特別合作區廣德(英德)產業園啟動區) in the Guangdong Province, together with buildings erected thereon and relevant constructions in progress. Upon the completion of the Hengcheng Reorganisation, Hengcheng's assets will consist mainly of the Hengcheng Land and Constructions Interests.

The appraised value of the Hengcheng Land and Constructions Interests is approximately RMB103.7 million as at 31 August 2025, based on a property valuation report prepared by the Valuer as set out in Appendix VIIB to this circular.

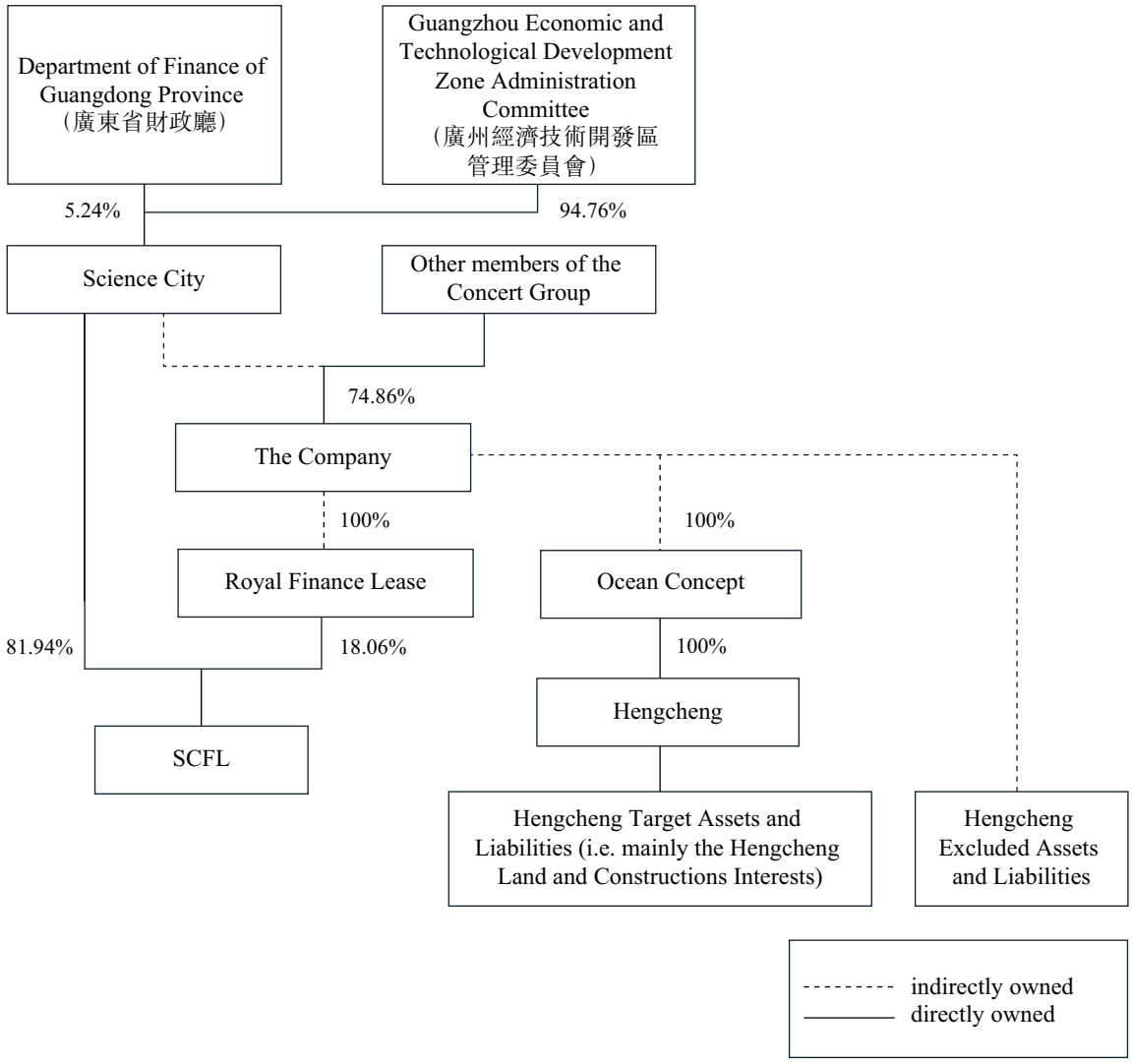
**Shareholding structure**

The following diagrams set out the simplified shareholding structures of SCFL and Hengcheng before and after the Completions:

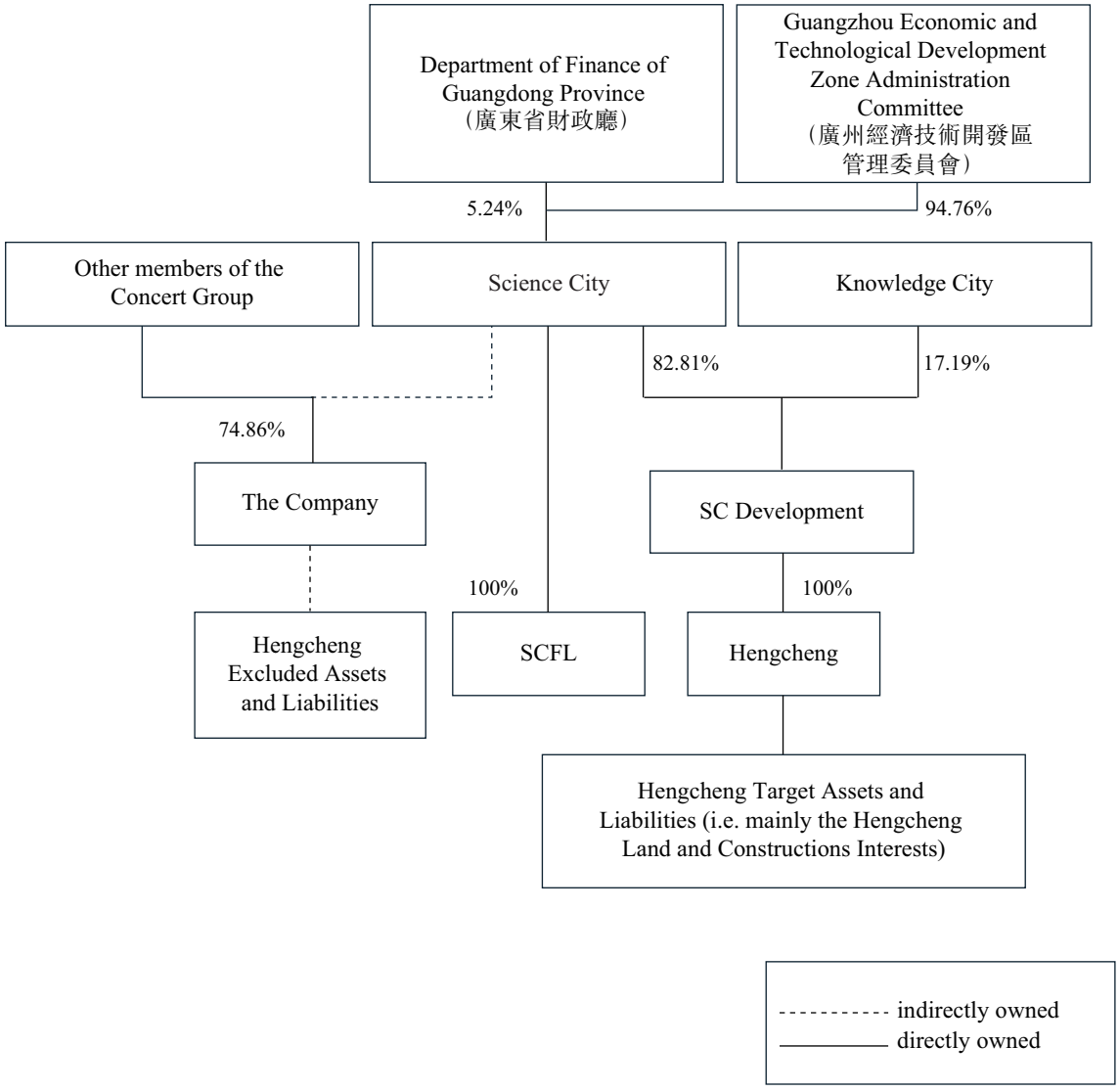
***As at the Latest Practicable Date***



***Immediately after the completion of the Hengcheng Reorganisation***



***Immediately after the Completions***




## 5. INFORMATION OF THE PARTIES

### Information of the Company and the Group

The Company is incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the design, sale and manufacture of furniture and trading of commodities.

**Information of Science City**

Science City is a company established in the PRC with limited liability on 21 August 1984 and its ultimate beneficial owner is the Guangzhou Economic and Technological Development Zone Administration Committee (廣州經濟技術開發區管理委員會). Science City is principally engaged in, amongst others, investment, development and construction of industrial-city integrated body and construction-related services, advanced manufacturing and related services, investment and operation of environmental protection and water-related industries, investment and operation of strategic emerging industries such as digital economy.

As at the Latest Practicable Date, Science City, through SCHK and parties acting in concert with it, was interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company, and hence is a controlling shareholder of the Company.

**Information of SC Development**

SC Development is a company established in the PRC with limited liability and a non-wholly-owned subsidiary of Science City. As at the Latest Practicable Date, the equity interest in SC Development was owned as to 82.81% by Science City and 17.19% by Knowledge City (Guangzhou) Investment Group Co., Ltd.* ("**Knowledge City**", 知識城(廣州)投資集團有限公司). SC Development is principally engaged in development, operations and management of industrial parks. The equity interest in Knowledge City is owned as to approximately 90.64% by the Guangzhou Economic and Technological Development Zone Administration Committee (廣州經濟技術開發區管理委員會) and approximately 9.36% by the Department of Finance of Guangdong Province (廣東省財政廳).

**Information of Royal Finance Lease**

Royal Finance Lease is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

**Information of Ocean Concept**

Ocean Concept is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in manufacturing of sofa.

## 6. REASONS FOR AND BENEFITS OF THE DISPOSALS AND USE OF PROCEEDS

### Use of proceeds

The estimated net proceeds (after deducting relevant expenses) of approximately RMB418.6 million to be received by the Group from the Disposals will be utilised for the repayment of part of the shareholders' loans provided by the Science City Group to the Group in the total amount of approximately RMB418.6 million (the "**Science City Loans**").

Set out below are details of the Science City Loans:

| | Lender | Date of Loan | Original Maturity Date | Extended Maturity Date | Second Extended Maturity Date | Interest Rate | Outstanding Principal Amount *(RMB)* | Interest Accrued *(RMB)* | Purpose of Loan |
|---|---|---|---|---|---|---|---|---|---|
| 1. | Science City | 21/6/2024 | 21/9/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 200,000,000.00 | 16,666,666.66 | Repayment of loan from financial institution. |
| 2. | Science City | 29/1/2024 | 13/2/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 18,000,000.00 | 2,757,003.66 | Repayment of loan from financial institution. |
| 3. | Science City | 23/2/2024 | 22/9/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 2,300,000.00 | 252,488.89 | Loan to associated company. |
| 4. | Science City | 11/3/2024 | 22/9/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 5,000,000.00 | 530,000.00 | Replenishment of working capital. |
| 5. | Science City | 15/4/2024 | 22/9/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 2,300,000.00 | 225,911.11 | Loan to associated company. |
| 6. | Science City | 18/6/2024 | 22/9/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 2,300,000.00 | 193,200.00 | Loan to associated company. |
| 7. | Science City | 19/7/2024 | 22/9/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 2,300,000.00 | 177,355.56 | Loan to associated company. |
| 8. | Science City | 20/12/2023 | 31/12/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 17,000,000.00 | 2,104,222.22 | Repayment of loan from financial institution. |

| | Lender | Date of Loan | Original Maturity Date | Extended Maturity Date | Second Extended Maturity Date | Interest Rate | Outstanding Principal Amount *(RMB)* | Interest Accrued *(RMB)* | Purpose of Loan |
|---|---|---|---|---|---|---|---|---|---|
| 9. | Science City | 19/1/2024 | 31/12/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 5,000,000.00 | 585,555.56 | Repayment of loan from financial institution. |
| 10. | Science City | 6/2/2024 | 31/12/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 10,000,000.00 | 1,131,111.11 | Repayment of loan from financial institution. |
| 11. | Science City | 8/3/2024 | 31/12/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 15,000,000.00 | 1,593,333.33 | Repayment of loan from financial institution. |
| 12. | Science City | 14/3/2024 | 31/12/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 30,000,000.00 | 3,146,666.67 | Repayment of loan from financial institution. |
| 13. | Science City | 18/7/2024 | 17/10/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 12,000,000.00 | 922,666.67 | Repayment of loan from financial institution. |
| 14. | Science City | 31/7/2024 | 30/10/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 8,000,000.00 | 592,000.00 | Repayment of loan from financial institution. |
| 15. | Science City | 6/8/2024 | 5/11/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 10,000,000.00 | 726,666.67 | Repayment of loan from financial institution. |
| 16. | Science City | 9/8/2024 | 31/8/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 9,000,000.00 | 672,000.00 | Repayment of loan from financial institution. |
| 17. | Science City | 17/11/2023 | 31/12/2024 | 31/8/2025 | 31/12/2025 | 8.0% per annum | 34,000,000.00 | 4,472,888.89 | Repayment of loan from financial institution. |
| **Total** | | | | | | | **382,200,000.00** | **36,749,737.00** | |
| **Total Outstanding Amount** | | | | | | | | **418,949,737.00** | |

As at 30 June 2025, amongst the Group's total borrowings repayable within one year of approximately RMB2,587.9 million, approximately RMB1,539.2 million was loan from Science City repayable within one year. While the loan from Science City represents a majority of the Group's borrowings repayable within one year, the repayment of the Science City Loans (being part of the loans obtained from the Science City Group) is consistent with the Company's objective to improve the liquidity of the Group by improving its net debt position and reduce interest expenses. The Science City Loans bear an interest rate of 8% per annum, while the average effective interest rate on borrowings of the Group other than the Science City Loans as at 30 June 2025 was approximately 5.16%. The repayment of the Science City Loans would materially reduce interest expenses and improve the financial position and profitability of the Group.

Due to its internal credit management policies and requirements, Science City has been putting great pressure on the Group to repay the loans obtained from Science City. As at 31 December 2024, the loans due to the Science City Group amounted to approximately RMB747 million in total (part of which being the Science City Loans). All of such loans (including the Science City Loans) would have originally matured and become repayable at the end of 2024. As the Group was unable to repay the loans due to the Science City Group, following multiple rounds of negotiations and communications, Science City granted a temporary extension of the maturity dates of loans due to the Science City Group (including the Science City Loans) until 31 August 2025. In the process of negotiation and discussion, Science City required the Group to propose repayment plans (which included the Disposals) for amongst others, the Science City Loans. As shown above, the Science City Loans would have all matured and become repayable on 31 August 2025. As at 31 August 2025, loans due to the Science City Group amounted to approximately RMB1,463 million in total (part of which being the Science City Loans). Taking into account the fact the Disposals had been in progress, Science City agreed to grant a further short extension of the maturity dates of loans due to the Science City Group (including the Science City Loans) until 31 December 2025.

The Company understood during its discussions with Science City that, while it is the intention of Science City to continue to provide financial support to the Group, the Group will need to repay part of the loans first before Science City could maintain or further provide financial assistance to the Group. Taking into consideration the financial condition and liquidity position of the Group, including its current net current liabilities position, the continuing financial support from Science City is crucial to the Group.

The Group will utilize its other resources (including but not limited to refinancing loans) for the repayment of other borrowings repayable within one year and/or negotiate with relevant financiers for the renewal of such loans. Based on the negotiations between the Group and third party financiers and the experience and understanding of the Group, the Group is confident that it will generally be able to negotiate a renewal of a majority of the borrowings due to other third party borrowers repayable within one year. For example, the Group has successfully negotiated the renewals of two bank loans originally falling due in June 2025 and July 2025 in the total principal amount of RMB30 million.

In view of the above, the Directors consider that the repayment of the Science City Loans with the proceeds from the Disposals is fair and reasonable and in the interest of the Group.

**Reasons for and benefits of the SCFL Disposal**

As disclosed in the annual report of the Company for the year ended 31 December 2024, the Group incurred a net loss of approximately RMB348 million for the year ended 31 December 2024 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB699 million, while its cash and cash equivalents amounted to approximately RMB20 million. The Directors were satisfied that it was appropriate to prepare the consolidated financial statements on a going concern basis as they were of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2024. Such conclusion was drawn after taking into account plans and measures formulated to mitigate the liquidity pressure and to improve the financial position of the Group, including without limitation, the Group's effort to seek suitable opportunities to disposal of certain equity interest.

Reference is made to the announcements of the Company dated 28 July 2020, 23 December 2020, 10 December 2021 and 18 March 2022 and the circular of the Company dated 4 September 2020 in relation to the acquisitions of equity interest in and capital injections into SCFL (the "**Previous Announcements**").

According to the unaudited statements of profit or loss and other comprehensive income of SCFL as set out in Appendix IIA to this circular, revenue of SCFL decreased from approximately RMB197.0 million for the six months ended 30 June 2024 to approximately RMB157.0 million for the six months ended 30 June 2025, while SCFL turned from a profit and total comprehensive income of approximately RMB38.3 million for the six months ended 30 June 2024 to a loss and total comprehensive expense of approximately RMB17.5 million for the six months ended 30 June 2025. SCFL has been accounted for as an investment in associates in the financial statements of the Group. As disclosed in the Previous Announcements, the Company's vision for SCFL has always been an investment opportunity which may enable the Group to derive return. As such, having considered the financial performance and financial position of both the Group and SCFL as disclosed above, the Directors consider that the SCFL Disposal represents a good opportunity for the Group to realise its investment in SCFL, and hence it is in the Group's interest to divest its non-core business that is on a downward trend.

As the net proceeds to be received from the Disposals will be deployed for the repayment of the Science City Loans, while the SCFL Disposal would directly improve the liquidity of the Group in terms of cash flow, the overall liquidity of the Group shall be improved by alleviating its net debt position, thereby enhancing the Group's financial strength for future fundraising with potentially more favourable terms, including costs of financing that would in turn affect the Group's profitability. On the other hand, the SCFL

Disposal will also enable the Group to streamline its business and optimise its resources allocation, which will help the Group to focus on its core business.

**Reasons for and benefits of the Hengcheng Disposal**

As mentioned above, according to the annual report of the Company for the year ended 31 December 2024, as of 31 December 2024, the Group's current liabilities exceeded its current assets by approximately RMB699 million while its cash and cash equivalents only amounted to approximately RMB20 million. The Hengcheng Disposal will help improve the liquidity of the Group by improving its net debt position through the repayment of the Science City Loans by the net proceeds to be received from the Disposals, which would in turn safeguard the continuous operation of the Group's businesses without disruption.

As disclosed in the annual report of the Company for the year ended 31 December 2024, the shareholders' loans, which shall be repaid by the net proceeds to be received from the Disposals, bear an interest rate of 8% per annum. The repayment of such shareholders' loans shall, apart from improving the financial position of the Group, improve the profitability of the Group through the reduction of interest payment.

In addition, the improvement in the overall financial position of the Group through the Disposals, with the alleviation of net debt position, would help reduce the costs of future fundraising and open up more fundraising opportunities for the Group, of both equity and debt financing.

Furthermore, the Hengcheng Disposal allows divestments in the Hengcheng Target Assets and Liabilities, being the Hengcheng Land and Construction Interests and related and inseparable assets and liabilities. From financial standpoint, as the proceeds from the Hengcheng Disposal, together with that of SCFL Disposal, will be utilised for the repayment of part of the shareholders' loans provided by the Science City Group to the Group, the Hengcheng Disposal can be seen as a restructuring of financial resources that the resulting financial position of the Group shall be improved and thereby opening up opportunities for future fundraising with potentially more favourable terms. From management standpoint, as the Hengcheng Target Assets and Liabilities did not contribute any identifiable revenue, the management of Hengcheng can direct its focus on the core business of manufacturing and sale of sofa through the Operation Related assets and liabilities. As such, the Board considers that the Hengcheng Disposal represents an opportunity to dedicate both its financial and management resources to the Group's remaining core business, and the Board believes that the profitability of its core businesses could see room for improvement, thereby strengthening the long-term outlook of the Group's businesses.

**The Remaining Group's business**

The subject matter of the Hengcheng Disposal is the Hengcheng Target Assets and Liabilities (i.e. the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities). Through the Hengcheng Reorganisation, the Hengcheng Excluded Assets and Liabilities will be transferred out by Hengcheng to the Remaining Group. Hence, following the completion of the Hengcheng Disposal, the Operation Related assets and liabilities (i.e. those relating to the manufacturing and sale of furniture operations) of Hengcheng will be retained by the Remaining Group. The manufacturing and sale of furniture operations of Hengcheng will therefore be taken over by and merged into the Remaining Group. As the Remaining Group will continue to manufacture and sell furniture utilizing substantially the same production line and human resources as Hengcheng, the Company considers that there will be no material change to the Group's business model and operational structure.

The revenue of Hengcheng accounted for approximately 6.78% of the revenue of the Group for the year ended 31 December 2024. The Company considers that the production capacity of Hengcheng is not significant to the Group. Taking into account the above and the Transition Plan, the Company considers that there will be no material impact on the production capacity of the Group.

With respect to the Hengcheng Disposal, assuming the completion of the Hengcheng Reorganisation has taken place, Hengcheng's assets will consist mainly of the Hengcheng Land and Constructions Interests which did not contribute any identifiable revenue for the two years ended 31 December 2024 and for the six months ended 30 June 2025, and that the core business of manufacturing and sale of sofa will remain in the Remaining Group through the retention of the Operation Related assets and liabilities.

With respect to the SCFL Disposal, the Group through Royal Finance Lease only held 18.06% equity interest in SCFL as at Latest Practicable Date and SCFL is classified as an associated company of the Company, while finance lease has not been classified as an operating segment of the Group.

In view of the above, the Board considers that the Hengcheng Reorganisation and the Hengcheng Disposal would have no material impact on the business model, operational structure and production capacity of the furniture business of the Group, and that the Remaining Group will be able to carry out its existing businesses with a sufficient level of operations and assets of sufficient value to support its operations after the Completions.

Having considered the above factors, the Directors (including the independent non-executive Directors whose views are set forth in the letter from the Independent Board Committee, but excluding the Directors who have abstained from voting on the relevant Board resolutions) are of the view that the terms of the Disposal Agreements are determined after arm's length negotiations and are on normal commercial terms, and the

transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. Lin Ruhai, Mr. Wu Zhongming, Mr. Tao Ying, Ms. Yang Ying and Mr. Yan Weihao hold positions within or are designated by the Science City Group, each of the abovementioned Directors are deemed to have material interest in and have therefore abstained from voting on the resolutions of the Board approving the Disposal Agreements and the transactions contemplated thereunder.

## 7. FINANCIAL EFFECTS OF THE DISPOSALS

SCFL has been accounted for as investment in associates and hence its financial results are not consolidated into the financial statements of the Group. Upon the SCFL Completion, the Group will cease to hold any equity interest in SCFL.

Upon the Hengcheng Completion, the Group will cease to hold any equity interest in Hengcheng. Hengcheng will cease to be a subsidiary of the Company, and the financial results of Hengcheng will cease to be consolidated in the financial statements of the Group.

**Earnings**

The SCFL Consideration is RMB416,752,500. The unaudited net asset value of SCFL as at 30 June 2025 was approximately RMB1,814.26 million and the transfer of the SCFL Equity Interest represented net asset value of approximately RMB341,244,272 (being the carrying amount of the Group's 18.06% interest in SCFL of approximately RMB327.7 million as at 30 June 2025 as adjusted by the goodwill on acquisition of approximately RMB13.6 million as at 30 June 2025). Based on the unaudited financial information of SCFL as at 30 June 2025, and assuming the SCFL Completion had taken place as at 30 June 2025, the Group is expected to record a gain (before tax and expenses) from the SCFL Disposal of not more than approximately RMB75.51 million, representing the difference between the SCFL Consideration of received under the SCFL Equity Transfer Agreement and the carrying value of the assets in the accounts of SCFL. Shareholders should note that the actual gain or loss (as the case may be) from the SCFL Disposal to be recorded by the Company will depend on the carrying value of the assets of SCFL as at the date of the SCFL Completion, and therefore may be different from the amount mentioned above.

The Hengcheng Consideration is RMB11,338,566.62. The unaudited net asset value of Hengcheng as at 30 June 2025 was approximately RMB11,896,960.05 (adjusted for the Hengcheng Reorganisation). Based on the unaudited financial information of Hengcheng as at 30 June 2025, and assuming the Hengcheng Completion (including the Hengcheng Reorganisation) had taken place as at 30 June 2025, the Group is expected to record a loss (before tax and expenses) from the Hengcheng Disposal of not more than approximately RMB0.56 million, representing the difference between the Hengcheng Consideration received under the Hengcheng Equity Transfer Agreement and the unaudited net asset value of Hengcheng (adjusted for the Hengcheng Reorganisation). Shareholders should note that

the actual gain or loss (as the case may be) from the Hengcheng Disposal to be recorded by the Company will depend on the unaudited net asset value of Hengcheng as at the date of the Hengcheng Completion, and therefore may be different from the amount mentioned above.

According to the annual report of the Company for the year ended 31 December 2024, the Group recorded an audited consolidated loss for the year and loss for the year attributable to owners of the Company of approximately RMB348.3 million and approximately RMB334.4 million, respectively, for the year ended 31 December 2024. Based on the "Unaudited Pro Forma Financial Information of the Remaining Group" as set out in Appendix III to this circular, assuming the Completions had taken place on 31 December 2024, the Remaining Group's unaudited pro forma consolidated loss for the year and loss for the year attributable to owners of the Company for the year ended 31 December 2024 would become approximately RMB332.1 million and RMB318.2 million, respectively.

**Assets and liabilities**

According to the interim report of the Company for the year ended 30 June 2025, the unaudited consolidated total assets and total liabilities of the Group as at 30 June 2025 were approximately RMB4,907.6 million and RMB3,750.5 million, respectively. Based on the "Unaudited Pro Forma Financial Information of the Remaining Group" as set out in Appendix III to this circular, assuming the Completions had taken place on 30 June 2025, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group as at 30 June 2025 would become approximately RMB4,969.6 million and RMB3,747.1 million, respectively.

**General**

The aforesaid financial impacts are shown for illustrative purposes only. The actual financial effect of the Disposals (including any gain or loss, as the case may be) will be subject to the review and final audit by the auditors of the Company.

## 8. LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Science City, through SCHK and parties acting in concert with it, was interested in an aggregate of 1,945,391,280 Shares, representing approximately 74.86% of the issued share capital of the Company. Accordingly, Science City is a controlling shareholder of the Company and a connected person of the Company. SC Development, being a subsidiary of Science City, is an associate of SCHK and hence also a connected person of the Company.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the SCFL Disposal (on a standalone basis) exceed 75%, the SCFL Disposal (on a standalone basis) constitutes a very substantial disposal and connected transaction for the

Company under Chapters 14 and 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Hengcheng Disposal (on a standalone basis) exceed 5% but all are less than 25%, the Hengcheng Disposal (on a standalone basis) constitutes a discloseable transaction and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, a series of transactions are required to be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or are otherwise related. As both of the Disposal Agreements are entered into by members of the Group with members of the Science City Group and at the same time, the transactions contemplated under the Disposal Agreements are therefore required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals (on an aggregated basis) exceed 75%, the Disposals (on an aggregated basis) constitute a very substantial disposal and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules, and are therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

## 9. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all of the independent non-executive Directors (namely, Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin) has been formed to consider the terms of and advise the Independent Shareholders on the Disposal Agreements and the transactions contemplated thereunder so far as the interests of the Company and the Independent Shareholders are concerned as a whole.

## 10. INDEPENDENT FINANCIAL ADVISER

Ignite Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the Disposal Agreements and the transactions contemplated thereunder.

## 11. EGM

The EGM will be convened and held at Yuzun (御尊) Conference Room of Guangzhou Royal Palace Hotel, No. 99, Zhuxian Road, Xiancun Town, Zengcheng District, Guangzhou, China on Friday, 28 November 2025 at 3:00 p.m. for the Independent Shareholders to consider and, if thought fit, approve the Disposal Agreements and the transactions contemplated thereunder.

As SCHK, Mr. Tse, Crisana, Charming Future and Leading Star have or are deemed to have material interest in the Disposal Agreements and the transactions contemplated thereunder, they will be required to abstain from voting on the relevant resolutions at the EGM. Save as aforementioned, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no other Shareholder has a material interest in the Disposal Agreements and the transactions contemplated thereunder and will therefore be required to abstain from voting at the EGM on the relevant resolution.

Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and deposit the same at the office of the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish.

A notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the shareholders at a general meeting must be taken by poll. Therefore, all resolutions proposed at the EGM shall be voted on by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

## 12. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 25 November 2025 to Friday, 28 November 2025, both days inclusive, for the purpose of ascertaining Shareholders' entitlement to attend and vote at EGM. The record date for determining the eligibility of the Shareholders to attend and vote at the EGM will be 28 November 2025. In order to be eligible to attend and vote at the EGM to be held on Friday, 28 November 2025, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 24 November 2025.

## 13. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 50 to 51 of this circular and the letter from the Independent Financial Adviser containing its recommendations to the Independent Board Committee and the Independent Shareholders in connection with the Disposals, and the principal factors and reasons considered by them in arriving such recommendations set out on pages 52 to 91 of this circular.

Having considered the information above, the Board (including the independent non-executive Directors whose views are set forth in the letter from the Independent Board Committee, but excluding the Directors who have abstained from voting on the relevant Board resolutions) consider that although the Disposals were not entered into in the ordinary and usual course of business of the Group, the terms of the Disposal Agreements are on normal commercial terms and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors (including the independent non-executive Directors whose views are set forth in the letter from the Independent Board Committee, but excluding the Directors who have abstained from voting on the relevant Board resolutions) recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Disposal Agreements and the transactions contemplated thereunder.

## 14. FURTHER INFORMATION

Your attention is drawn to the information set out in the appendices to this circular.

**The Completions are subject to the Independent Shareholders' approval at the EGM and the fulfillment of the conditions precedent under each of the Disposal Agreements. Accordingly, the Disposals may or may not proceed. The SCFL Disposal and the Hengcheng Disposal are inter-conditional upon each other and the Completions shall take place simultaneously. The Company will not proceed with any of the SCFL Disposal or the Hengcheng Disposal unless the Completions take place simultaneously.**

**Shareholders and potential investors of the Company are reminded to exercise caution in dealing in the securities of the Company.**

Yours faithfully,
For and on behalf of
the Board of Directors of
**Royale Home Holdings Limited**
**Lin Ruhai**
*Chairman, Executive Director and Chief Executive Officer*

# 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)**

11 November 2025

*To the Independent Shareholders*

Dear Sir or Madam,

## VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTIONS IN RELATION TO (1) THE SCFL DISPOSAL AND (2) THE HENGCHENG DISPOSAL

We refer to the circular of the Company dated 11 November 2025 (the "**Circular**") of which this letter forms a part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meaning as those defined in the Circular.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Disposal Agreements and the transactions contemplated thereunder, the details of which are set out in the letter from the Board in the Circular. Ignite Capital (Asia Pacific) Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw the attention of the Independent Shareholders to (i) the letter from the Board set out on pages 8 to 49 of the Circular; (ii) the letter from the Independent Financial Adviser set out on pages 52 to 91 of the Circular; and (iii) the additional information as set out in the appendices to the Circular.

* *For identification purposes only*

Having taken into account, among other things, the principal factors and reasons considered by, and the opinion of the Independent Financial Adviser, we are of the view that although the Disposals were not entered into in the ordinary and usual course of business of the Group, the terms of the Disposal Agreements are on normal commercial terms and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Disposal Agreements and the transactions contemplated thereunder.

Yours Faithfully,
For and on behalf of
the Independent Board Committee of
**Royale Home Holdings Limited**

| | | |
|---|---|---|
| **Lau Chi Kit** | **Yue Man Yiu Matthew** | **Chan Wing Tak Kevin** |
| *Independent Non-executive Director* | *Independent Non-executive Director* | *Independent Non-executive Director* |

*The following is the full text of a letter of advice from Ignite Capital to the Independent Board Committee and the Independent Shareholders in respect of the Disposals, which has been prepared for the purpose of inclusion in the Circular.*




Unit A, 15th Floor, CMA Building
64–65 Connaught Road Central
Central, Hong Kong

11 November 2025

*To: The Independent Board Committee and the Independent Shareholders of Royale Home Holdings Limited*

Dear Sirs or Madams,

## VERY SUBSTANTIAL DISPOSAL AND CONNECTED TRANSACTIONS IN RELATION TO (1) THE SCFL DISPOSAL AND (2) THE HENGCHENG DISPOSAL

### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposals, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular of the Company to the Shareholders dated 11 November 2025 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

#### The SCFL Disposal

On 22 September 2025 (after trading hours), Royal Finance Lease (a wholly-owned subsidiary of the Company) (as vendor), Science City (as purchaser) and SCFL have entered into the SCFL Equity Transfer Agreement, pursuant to which Royal Finance Lease has conditionally agreed to sell, and Science City has conditionally agreed to purchase the SCFL Equity Interest at the SCFL Consideration of RMB416,752,500.

#### The Hengcheng Disposal

On 22 September 2025 (after trading hours), Ocean Concept (a wholly-owned subsidiary of the Company) (as vendor), SC Development (as purchaser), Hengcheng and the Company have entered into the Hengcheng Equity Transfer Agreement, pursuant to which Ocean Concept has conditionally agreed to sell, and SC Development has conditionally agreed to purchase, the Hengcheng Equity Interest at the Hengcheng Consideration of RMB11,338,566.62.

As a condition precedent to the Hengcheng Completion, Hengcheng will undergo the Hengcheng Reorganisation, which is a process whereby the Hengcheng Excluded Assets and Liabilities (i.e. assets and liabilities relating to the manufacturing and sale of furniture operations of Hengcheng) would be transferred out of Hengcheng to the Remaining Group, such that the remaining assets and liabilities within Hengcheng would be the Hengcheng Target Assets and Liabilities (i.e. the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities), being the subject matter of the Hengcheng Disposal. It is estimated that the Hengcheng Reorganisation will give rise to the Net Reorganisation Obligations on the part of Hengcheng to pay the Remaining Group, which shall be settled in full by Hengcheng (funded by capital contribution(s) or shareholder's loan(s) to be made by SC Development to Hengcheng) within five (5) working days after the completion of the Transition Period Audit. As at 30 June 2025, the net liabilities value (i.e. the Net Reorganisation Obligations) after netting off the Hengcheng Excluded Assets and Liabilities was approximately RMB122.14 million.

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

**Listing Rules Implications**

As at the Latest Practicable Date, Science City, through SCHK and parties acting in concert with it, was interested in an aggregate of 1,945,391,280 Shares, representing approximately 74.86% of the issued share capital of the Company. Accordingly, Science City is a controlling Shareholder and a connected person of the Company. SC Development, being a subsidiary of Science City, is an associate of SCHK and hence also a connected person of the Company.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the SCFL Disposal (on a standalone basis) exceed 75%, the SCFL Disposal (on a standalone basis) constitutes a very substantial disposal and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Hengcheng Disposal (on a standalone basis) exceed 5% but all are less than 25%, the Hengcheng Disposal (on a standalone basis) constitutes a discloseable transaction and connected transaction for the Company under Chapters 14 and 14A of the Listing Rules, and is therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, a series of transactions are required to be aggregated and treated as if they were one transaction if they were all completed within a 12-month period or are otherwise related. As both of the Disposal Agreements are entered into by members of the Group with members of the Science City Group and at the same time, the transactions contemplated under the Disposal Agreements are therefore required to be aggregated pursuant to Rules 14.22 and 14A.81 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposals (on an aggregated basis) exceed 75%, the Disposals (on an aggregated basis) constitute a very substantial disposal and connected transactions for the Company under Chapters 14 and 14A of the Listing Rules, and are therefore subject to the reporting, announcement, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

## THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin has formed to consider the terms of and advise the Independent Shareholders on the Disposal Agreements and the transactions contemplated thereunder so far as the interests of the Company and the Independent Shareholders are concerned as a whole. Our appointment as the Independent Financial Adviser has been approved by the Independent Board Committee.

## OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationship with, or interest in, the Group, Science City Group or any of their respective connected persons and close associates or other parties that could reasonably be regarded as relevant to our independence. During the past two years immediately prior to this letter, we have not: (i) acted in the capacity as a financial adviser or as an independent financial adviser to the Company; (ii) provide any services to the Company; or (iii) had any relationship with the Company. Apart from normal independent financial advisory fee paid or payable to us in connection with the current appointment, no arrangements exist whereby we had received or will receive any fees or benefits from the Group, Science City Group or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent pursuant to Rule 13.84 of the Listing Rules.

## BASIS OF OUR OPINION

In formulating our opinion and recommendation to the Independent Board Committee and the Independent Shareholders, we have reviewed, amongst other things:

(i) the interim report of the Company for the six months ended 30 June ("**HY**") 2025 (the "**2025 Interim Report**");

(ii) the Company's annual report for the year ended 31 December ("**FY**") 2024 (the "**2024 Annual Report**");

(iii) the SCFL Equity Transfer Agreement;

(iv) the Hengcheng Equity Transfer Agreement;

(v) the valuation report of 18.06% equity interest in SCFL prepared by the Valuer (the "**SCFL Valuation Report**") as set out in the Appendix V to the Circular;

(vi) the valuation report of 100% equity interest in Hengcheng prepared by the Valuer (the "**Hengcheng Valuation Report**") as set out in the Appendix VI to the Circular;

(vii) the valuation reports of Hengcheng Land and Construction Interests prepared by the Valuer (the "**Hengcheng Properties Valuation Reports**") as set out in the Appendix VIIA and VIIB to the Circular;

(viii) the Circular; and

(ix) other information as set out in the Circular.

We have relied on the truth, accuracy and completeness of the statements, information, opinions and representations contained or referred to in the Circular and the information and representations made to us by the Company, the Directors and the management of the Group (collectively, the "**Management**"). We have assumed that all information and representations contained or referred to in the Circular and provided to us by the Management, for which they are solely and wholly responsible, are true, accurate and complete in all material respects and not misleading or deceptive at the time when they were provided or made and will continue to be so up to the Latest Practicable Date. Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

We have also assumed that all statements of belief, opinion, expectation and intention made by the Management in the Circular were reasonably made after due enquiries and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. We have no reason to suspect that any relevant information has been withheld, or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Management, which have been provided to us.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. However, we have not carried out any independent verification of the information provided by the Management, nor have we conducted any independent investigation into the business, financial conditions and affairs of the Group or its future prospects.

The Directors jointly and severally accept full responsibility for the accuracy of the information disclosed and confirm, having made all reasonable enquiries that to the best of their knowledge and belief, there are no other facts not contained in this letter, the omission of which would make any statement herein misleading.

This letter is issued to the Independent Board Committee and the Independent Shareholders solely in connection for their consideration of the terms of the Disposals Agreements and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes without our prior written consent.

## PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Disposal Agreements, we have taken into consideration the following principal factors and reasons:

### 1. Information of the Parties

#### *The Group*

The Company is incorporated in the Cayman Islands with limited liability. The Group is principally engaged in the design, sale and manufacture of furniture and trading of commodities.

Set out in Table 1 below is certain financial information of the Group for two years ended 31 December 2024 as extracted from the 2024 Annual Report, and for each of the six months ended 30 June 2024 and 2025 as extracted from the 2025 Interim Report.

**Table 1: Financial information of the Group**

| | **HY2025** | **HY2024** | **FY2024** | **FY2023** |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Audited) | (Audited) |
| **Revenue** | 174,036 | 253,168 | 525,607 | 827,916 |
| – Manufacture and sale of furniture | 165,111 | 239,697 | 505,306 | 782,825 |
| – Hotel operations | 8,663 | 8,696 | 15,206 | 12,838 |
| – Development properties for sale and property development | 262 | – | – | – |
| – Trading of aluminium ingots and bars | – | 4,775 | 5,095 | 32,253 |
| **Gross profit** | 9,228 | 17,726 | 35,411 | 26,117 |
| **Loss attributable to owners of the Company** | (268,587) | (147,638) | (334,391) | (381,536) |

*Source: The 2025 Interim Report and 2024 Annual Report*

*HY2025 vs HY2024*

Revenue of the Group for HY2025 amounted to approximately RMB174.0 million, representing a decrease of approximately 31.3% as compared with revenue of approximately RMB253.2 million for HY2024. Revenue from manufacture and sale of furniture was approximately RMB165.1 million for HY2025, representing a drop of approximately 31.1% from HY2024. Whilst revenue from hotel operations in HY2025 remained stable as compared to HY2024.

The Group's gross profit for HY2025 was approximately RMB9.2 million, representing a decrease of approximately RMB8.5 million as compared with approximately RMB17.7 million for HY2024. The Group's overall gross profit margin decreased from approximately 7.0% in HY2024 to approximately 5.3% in HY2025.

Loss attributable to owners of the Company for HY2025 amounted to approximately RMB268.6 million, representing an increase of approximately 81.9% from approximately RMB147.6 million for HY2024.

*FY2024 vs FY2023*

Revenue of the Group for FY2024 amounted to approximately RMB525.6 million, representing a decrease of approximately 36.5% as compared with revenue of approximately RMB827.9 million for FY2023. Revenue from manufacture and sale of furniture was approximately RMB505.3 million for FY2024, representing a drop of approximately 35.5% from FY2023. Whilst revenue from trading of aluminium ingots and bars in FY2024 recorded a decline of approximately 84.2% from FY2023. The decrease in revenue was mainly attributable to a weak consumer market and the Group's cessation of the commodities trading business during the FY2024.

The Group's gross profit for FY2024 was approximately RMB35.4 million, representing an increase of approximately RMB9.3 million as compared with approximately RMB26.1 million for FY2023. The Group's overall gross profit margin increased from approximately 3.2% in FY2023 to approximately 6.7% in FY2024. Such increase in gross profit was mainly due to a slight improvement in the gross profit margin of the furniture business and the cessation of the low-margin commodities trading business during FY2024.

Loss attributable to owners of the Company for FY2024 amounted to approximately RMB334.4 million, representing a decrease of approximately 12.4% from approximately RMB381.5 million for FY2023. The slight improvement was a result of the Group's enhanced gross profit margin, reduced operating expenses and reversal of over-provision of income tax, but offset by an increase in impairment of trade receivables and financial assets included in prepayments, deposits and other receivables, increase in finance costs and increase in share of losses of associates.

**Table 2: Financial positions of the Group**

| | As at 30 June 2025 *RMB'000* (Unaudited) | As at 31 December 2024 *RMB'000* (Audited) | As at 31 December 2023 *RMB'000* (Audited) |
|---|---|---|---|
| **Non-current assets** | 2,875,412 | 3,002,462 | 3,145,022 |
| **Current assets** | 2,032,153 | 1,965,611 | 2,160,777 |
| **Assets classified as held for sale** | – | 60,000 | – |
| **Non-current liabilities** | 740,590 | 917,163 | 1,262,390 |
| – Borrowings (Non-current portion) | 542,753 | 584,616 | 909,743 |
| – Others loans (Non-current portion) *Note* | – | 114,888 | 95,113 |
| – Medium term bonds | 41,168 | 40,729 | 37,494 |
| **Current liabilities** | 3,009,954 | 2,664,761 | 2,256,885 |
| – Borrowings (Current portion) | 808,747 | 1,105,953 | 1,480,150 |
| – Others loans (Non-current portion) *Note* | 1,779,137 | 1,053,480 | 195,982 |
| **Equity attributable to owners of the Company** | 1,002,032 | 1,294,740 | 1,621,200 |

*Note:* Include loans from the immediate and ultimate holding company, fellow subsidiaries, associate, non-controlling interests and director.

*Source: The 2025 Interim Report and 2024 Annual Report*

*HY2025 vs FY2024*

As at 30 June 2025, total assets of the Group were approximately RMB4,907.6 million and remained at the similar level as compared to the 31 December 2024. Total liabilities of the Group were approximately RMB3,750.5 million, representing an increase of approximately 4.7% as compared to the total liabilities of approximately RMB3,581.9 million as at 31 December 2024. With the loss attributable to owners of the Company for HY2025 of approximately RMB268.6 million, the equity attributable to owners of the Company decreased from approximately RMB1,294.7 million as at 31 December 2024 to approximately RMB1,002.0 million as at 30 June 2025, representing a decrease of approximately 22.6%. The Group recorded net current liability of approximately RMB977.8 million as at 30 June 2025, representing an increase of approximately RMB278.6 million as compared with net current liability of approximately RMB699.2 million as at 31 December 2024.

Total borrowings of the Group, which comprise borrowings, other loans and medium term bonds as shown in Table 2, amounted approximately RMB3,171.8 million and RMB2,899.7 million, respectively as at 30 June 2025 and 31 December 2024. The net gearing ratio of the Group increased from approximately 222.0% as at 31 December 2024 to approximately 311.4% as at 30 June 2025.

*FY2024 vs FY2023*

As at 31 December 2024, total assets and liabilities of the Group were approximately RMB5,028.1 million and RMB3,581.9 million respectively, as compared to total assets and liabilities of approximately RMB5,305.8 million and RMB3,519.3 million as at 31 December 2023 respectively, registering a decrease of approximately 5.2% and an increase of approximately 1.8% respectively. With the loss attributable to owners of the Company for FY2024 of approximately RMB334.4 million, the equity attributable to owners of the Company decreased from approximately RMB1,621.2 million as at 31 December 2023 to approximately RMB1,294.7 million as at 31 December 2024, representing a decrease of approximately 20.1%. The Group recorded net current liability of approximately RMB699.2 million as at 31 December 2024, representing an increase of RMB603.0 million as compared with net current liability of approximately RMB96.1 million as at 31 December 2023.

*Going concern*

It was noted from the 2024 Annual Report that the Company's auditor, Grant Thornton Hong Kong Limited has drawn attention to certain principal conditions that raise doubt about the Group's ability to continue as a going concern. These conditions included (i) the Group incurred a loss of approximately RMB348 million during FY2024; and (ii) the Group's current liabilities exceeded its current assets by approximately RMB699 million as at 31 December 2024, while its cash and cash equivalents amounted to RMB20 million. These conditions indicated the existence of a material uncertainty which may cast a significant doubt on the Group's ability to continue as a going concern.

According to the 2024 Annual Report, 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. Various plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group, including 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.

***Science City***

Science City is a company established in the PRC with limited liability on 21 August 1984 and its ultimate beneficial owner is the Guangzhou Economic and Technological Development Zone Administration Committee (廣州經濟技術開發區管理委員會). Science City is principally engaged in, amongst others, investment, development and construction of industrial-city integrated body and construction-related services, advanced manufacturing and related services, investment and operation of environmental protection and water-related industries, investment and operation of strategic emerging industries such as digital economy.

As at the Latest Practicable Date, Science City is through SCHK and parties acting in concert with it interested in 1,945,391,280 Shares, representing 74.86% of the issued share capital of the Company, and hence is a controlling shareholder of the Company.

***SC Development***

SC Development is a company incorporated in the PRC with limited liability and a non-wholly-owned subsidiary of Science City. As at the Latest Practicable Date, the equity interest in SC Development is owned as to 82.81% by Science City and 17.19% by Knowledge City (Guangzhou) Investment Group Co., Ltd.* ("**Knowledge City**", 知識城(廣州)投資集團有限公司). SC Development is principally engaged in development, operations and management of industrial parks. The equity interest in Knowledge City is owned as to approximately 90.64% by the Guangzhou Economic and Technological Development Zone Administration Committee (廣州經濟技術開發區管理委員會) and approximately 9.36% by the Department of Finance of Guangdong Province (廣東省財政廳).

***Royal Finance Lease***

Royal Finance Lease is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

***Ocean Concept***

Ocean Concept is a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in manufacturing of sofa.

**2. Information of assets to be disposed of under the Disposals**

***2.1 SCFL***

SCFL is a company established in the PRC with limited liability. The principal business activity of SCFL is finance leasing.

As at the Latest Practicable Date, the Group through Royal Finance Lease held 18.06% equity interest in SCFL and Science City held 81.94% equity interest in SCFL.

Set out below is a summary of the audited financial information of SCFL for FY2023 and FY2024, and the unaudited financial information of SCFL for HY2025, as extracted from Appendix IIA to the Circular:

| | **For the six months ended 30 June 2025** | **For the year ended 31 December** | |
|---|---|---|---|
| | | **2024** | **2023** |
| | *RMB million* (Unaudited) | *RMB million* (Audited) | *RMB million* (Audited) |
| Net profit/(loss) before taxation | (20.15) | 74.64 | 70.80 |
| Net profit/(loss) after taxation | (17.54) | 55.30 | 54.14 |

The unaudited net asset value of SCFL as at 30 June 2025 was approximately RMB1,814.26 million.

***2.2 Hengcheng***

Hengcheng is a company established in the PRC with limited liability. The principal business activity of Hengcheng is manufacturing and sale of sofa.

As at the Latest Practicable Date, the Group through Ocean Concept holds the entirety of the equity interest in Hengcheng.

*Financial Information*

Set out below is a summary of the audited financial information of Hengcheng for FY2023 and FY2024, and the unaudited financial information of Hengcheng for HY2025, as extracted from Appendix IIB to the Circular:

| | **For the six months ended 30 June 2025** | **For the year ended 31 December** | |
|---|---|---|---|
| | | **2024** | **2023** |
| | *RMB million* (Unaudited) | *RMB million* (Audited) | *RMB million* (Audited) |
| Net profit/(loss) before taxation | – | (9.56) | (20.35) |
| Net profit/(loss) after taxation | (4.86) | (7.17) | (15.31) |

The unaudited net asset value of Hengcheng as at 30 June 2025 was approximately RMB11.9 million. As at 30 June 2025, assuming the completion of the Hengcheng Reorganisation has taken place, the unaudited net asset value of Hengcheng (i.e. the Hengcheng Target Assets and Liabilities) is estimated to be approximately RMB11.9 million. As it is estimated that the value of liabilities assumed would exceed the value of assets acquired by the Remaining Group, the Hengcheng Reorganisation will give rise to the Net Reorganisation Obligations. Upon the completion of the Hengcheng Reorganisation, the Remaining Group will take up net liabilities from Hengcheng. It was agreed in the Hengcheng Equity Transfer Agreement that Hengcheng shall compensate the Remaining Group for the deficit (i.e. the Net Reorganisation Obligations amounting to RMB122,135,160 as at 30 June 2025). Therefore, the Net Reorganisation Obligations will be recognised as "amount due to the Company" in Hengcheng's accounts upon completion of the Hengcheng Reorganisation. In the accounts of Hengcheng, the Hengcheng Reorganisation would have the effect of shifting and transforming the net liabilities owing to third parties (in the amount of RMB122,135,160 as at 30 June 2025) in respect of the Hengcheng Excluded Assets and Liabilities into "amount due to the Company" in a sum equated to the Net Reorganisation Obligations (i.e. RMB122,135,160 as at 30 June 2025).

After the completion of the Hengcheng Reorganisation, Hengcheng will hold the Hengcheng Target Assets and Liabilities, which are primarily the Hengcheng Land and Constructions Interests and borrowings. For the two years ended 31 December 2024 and HY2025, the Hengcheng Target Assets and Liabilities were used in production and were carried at cost less accumulated depreciation without carrying an independent income stream. The Hengcheng Land and Construction Interests cannot have a separate profit or loss allocation from the financial information of Hengcheng for the two years ended 31

December 2024 and HY2025 as they were integral to production operations, supporting production lines rather than generating an independent income stream. These assets did not operate standalone but functioned as essential infrastructure for overall operations. Costs, such as depreciation and amortization, were incorporated into the broader production cost structure, making it impossible to isolate their financial contribution. Due to their integral role in production, the financial results of the Hengcheng Land and Construction Interests are inseparable from those of other operating assets. As a result, the Company considers that it is not possible and meaningful to allocate a distinct profit or loss to these assets.

Upon the completion of the Hengcheng Reorganisation, the Hengcheng Excluded Assets and Liabilities (which, after netting off, would be in deficit) will be transferred from Hengcheng to the Remaining Group, which will in turn give rise to the Net Reorganisation Obligations payable by Hengcheng to the Remaining Group. Before the completion of the Hengcheng Reorganisation, Hengcheng will be in a net deficit position (after netting off the Hengcheng Excluded Assets and Liabilities) with net obligations owing to external parties; while after the completion of the Hengcheng Reorganisation, Hengcheng will be in a net deficit position (after netting off the Hengcheng Excluded Assets and Liabilities) with net obligations owing to the Remaining Group. Hence, the net asset value of Hengcheng is expected to remain constant before and after the Hengcheng Reorganisation.

*The Hengcheng Land and Constructions Interests*

Hengcheng holds the Hengcheng Land and Constructions Interests, being a parcel of land with a total land area of approximately 75,092 square metres for industrial use located at Launch District in Guangde (Yingde) Industrial Park, Guangqing Economic Special Cooperation Zone* (廣清經濟特別合作區廣德(英德)產業園啟動區) in the Guangdong Province, together with buildings erected thereon and relevant constructions in progress. Upon the completion of the Hengcheng Reorganisation, Hengcheng's assets will consist mainly of the Hengcheng Land and Constructions Interests.

The appraised value of the Hengcheng Land and Constructions Interests is approximately RMB103.7 million as at 31 August 2025, based on the Hengcheng Properties Valuation Reports.

**3. Reasons for and benefits of the Disposals**

The estimated net proceeds (after deducting relevant expenses) of approximately RMB418.6 million to be received by the Company from the Disposals will be utilized for the repayment of shareholders' loans provided by the Science City Group to the Group in the total amount of approximately RMB418.6 million (the "**Science City Loans**"). For details of the Science City Loans, please refer to the sub-section headed "6. REASONS FOR AND BENEFITS OF THE DISPOSALS AND USE OF PROCEEDS – Use of proceeds" in the Letter from the Board.

According to the Letter from the Board, as at 30 June 2025, amongst the Group's total borrowings repayable within one year of approximately RMB2,587.9 million, approximately RMB1,539.2 million was loan from Science City repayable within one year. While the loan from Science City represents a majority of the borrowings repayable within one year, the repayment of the Science City Loans (being part of the loans obtained from the Science City Group) is consistent with the Company's objective to improve the liquidity of the Group by improving its net debt position and reduce interest expenses. The Science City Loans bear an interest rate of 8% per annum, while the average effective interest rate on borrowings of the Group other than the Science City Loans as at 30 June 2025 (the "**Other Borrowings**") was approximately 5.16%. The repayment of the Science City Loans would materially reduce interest expenses and improve the financial position and profitability of the Group.

Due to its internal credit management policies and requirements, Science City has been putting great pressure on the Group to repay the loans obtained from Science City. As at 31 December 2024, the loans due to the Science City Group amounted to approximately RMB747 million in total (part of which being the Science City Loans). All of such loans (including the Science City Loans) would have originally matured and become repayable at the end of 2024. As the Group was unable to repay the loans due to the Science City Group, following multiple rounds of negotiations and communications, Science City granted a temporary extension of the maturity dates of loans due to the Science City Group (including the Science City Loans) until 31 August 2025. In the process of negotiation and discussion, Science City required the Group to propose repayment plans (which included the Disposals) for amongst others, the Science City Loans. As shown under the sub-section headed "6. REASONS FOR AND BENEFITS OF THE DISPOSALS AND USE OF PROCEEDS – Use of proceeds" in the Letter from the Board, the Science City Loans would have all matured and become repayable on 31 August 2025. As at 31 August 2025, loans due to the Science City Group amounted to approximately RMB1,463 million in total (part of which being the Science City Loans). Taking into account the fact the Disposals had been in progress, Science City agreed to grant a further short extension of the maturity dates of loans due to the Science City Group (including the Science City Loans) until 31 December 2025 (the "**Further Extension**").

The Company understood during its discussions with Science City that, while it is the intention of Science City to continue to provide financial support to the Group, the Group will need to repay part of the loans first before Science City could maintain or further provide financial assistance to the Group. Taking into consideration the financial condition and liquidity position of the Group, including its current net current liabilities position, the continuing financial support from Science City is crucial to the Group.

The Group will utilize its other resources (including but not limited to refinancing loans) for the repayment of other borrowings repayable within one year and/or negotiate with relevant financiers for the renewal of such loans. Based on the negotiations between the Group and third party financiers and the experience and understanding of the Group, the Group is confident that it will generally be able to negotiate a renewal of a majority of the borrowings due to other third party borrowers repayable within one year. For example, the Group has successfully negotiated the renewals of two bank loans originally falling due in June 2025 and July 2025 in the total principal amount of RMB30 million.

In assessing the fairness and reasonableness of prioritising the settlement of the Science City Loan over the Other Borrowings, we have randomly sampled and reviewed ten loan agreements relating to the Science City Loans and the Further Extension, and note that the interest rates and Second Extended Maturity Dates stipulated therein are consistent with the details disclosed in the sub-section headed "6. REASONS FOR AND BENEFITS OF THE DISPOSALS AND USE OF PROCEEDS – Use of proceeds" in the Letter from the Board. We have also discussed with the Management and the reporting accountant of the Company and understand that the calculation methodology adopted for the effective interest rate of the Other Borrowings is consistent with that applied in the 2024 Annual Report. Having considered the above, in particular (i) the interest rates of the Science City Loans are higher than the effective interest rate of the Other Borrowings; (ii) the Science City Loans originally matured and become repayable at the end of 2024, and have been granted the Further Extension by the Science City; and (iii) it is the intention of Science City to continue to provide financial support to the Group, given the Group to repay part of the outstanding loans from the Science City, we are of the view that it is in the interest of the Company to prioritise the settlement of the Science City Loan over the Other Borrowings.

### *3.1 The SCFL Disposal*

As disclosed in the 2024 Annual Report, the Group incurred a net loss of approximately RMB348 million for FY2024 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB699 million, while its cash and cash equivalents amounted to approximately RMB20 million. The Directors were satisfied that it was appropriate to prepare the consolidated financial statements on a going concern basis as they were of the opinion that the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2024. Such conclusion was drawn after taking into account plans and measures formulated to mitigate the liquidity pressure and to improve the financial position of the Group,

including without limitation, the Group's effort to seek suitable opportunities to disposal of certain equity interest.

According to the unaudited statements of profit or loss and other comprehensive income of SCFL as set out in Appendix IIA to the Circular, revenue of SCFL decreased from approximately RMB197.0 million for HY2024 to approximately RMB157.0 million for HY2025, while SCFL turned from a profit and total comprehensive income of approximately RMB38.3 million for HY2024 to a loss and total comprehensive expense of approximately RMB17.5 million for HY2025. SCFL has been accounted for as an investment in associates in the financial statements of the Group. As disclosed in the Previous Announcements, the Company's vision for SCFL has always been an investment opportunity which may enable the Group to derive return. As such, having considered the financial performance and financial position of both the Group and SCFL as disclosed above, the Directors consider that the SCFL Disposal represents a good opportunity for the Group to realise its investment in SCFL, and hence it is in the Group's interest to divest its non-core business that is on a downward trend.

As the net proceeds to be received from the Disposals will be deployed for the repayment of the Science City Loans, while the SCFL Disposal would directly improve the liquidity of the Group in terms of cash flow, the overall liquidity of the Group shall be improved by alleviating its net debt position, thereby enhancing the Group's financial strength for future fundraising with potentially more favourable terms, including costs of financing that would in turn affect the Group's profitability. On the other hand, the SCFL Disposal will also enable the Group to streamline its business and optimise its resources allocation, which will help the Group to focus on its core business.

### *3.2 The Hengcheng Disposal*

According to the 2024 Annual Report, as of 31 December 2024, the Group's current liabilities exceeded its current assets by approximately RMB699 million while its cash and cash equivalents amounted to only approximately RMB20 million. The Hengcheng Disposal will help improve the liquidity of the Group by improving its net debt position through the repayment of the Science City Loans by the net proceeds to be received from the Disposals, which would in turn safeguard the continuous operation of the Group's businesses without disruption.

According to the 2024 Annual Report, the shareholders' loans, which shall be repaid by the net proceeds to be received from the Disposals, bear an interest rate of 8% per annum. The repayment of such shareholders' loans shall, apart from improving the financial position of the Group, improve the profitability of the Group through the reduction of interest payment.

In addition, the improvement in the overall financial position of the Group through the Disposals, with the alleviation of net debt position, would help reduce the costs of future fundraising and open up more fundraising opportunities for the Group, of both equity and debt financing.

Furthermore, by focusing its resources, including both financial and management resources, to the Group's remaining core businesses, the Board believes that the profitability of its core businesses could see room for improvement, thereby strengthening the long-term outlook of the Group's businesses.

***3.3 The Remaining Group's business***

The subject matter of the Hengcheng Disposal is the Hengcheng Target Assets and Liabilities (i.e. the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities). Through the Hengcheng Reorganisation, the Hengcheng Excluded Assets and Liabilities will be transferred out by Hengcheng to the Remaining Group. Hence, following the completion of the Hengcheng Disposal, the Operation Related assets and liabilities (i.e. those relating to the manufacturing and sale of furniture operations) of Hengcheng will be retained by the Remaining Group. The manufacturing and sale of furniture operations of Hengcheng will therefore be taken over by and merged into the Remaining Group. As the Remaining Group will continue to manufacture and sell furniture utilizing substantially the same production line and human resources as Hengcheng, the Company considers that there will be no material change to the Group's business model and operational structure.

The revenue of Hengcheng accounted for approximately 6.78% of the revenue of the Group for FY2024. The Company considers that the production capacity of Hengcheng is not significant to the Group. Taking into account the above and the Transition Plan, the Company considers that there will be no material impact on the production capacity of the Group.

With respect to the Hengcheng Disposal, assuming the completion of the Hengcheng Reorganisation has taken place, Hengcheng's assets will consist mainly of the Hengcheng Land and Constructions Interests which did not contribute any identifiable revenue for the two years ended 31 December 2024 and for HY2025, and that the core business of manufacturing and sale of sofa will remain in the Remaining Group through the through the retention of the Operation Related assets and liabilities.

With respect to the SCFL Disposal, the Group through Royal Finance Lease only holds 18.06% equity interest in SCFL as at the Latest Practicable Date and SCFL is classified as an associated company of the Company, while finance lease has not been classified as an operating segment of the Group.

In view of the above, the Board considers that the Hengcheng Reorganisation and the Hengcheng Disposal would have no material impact on the business model,

operational structure and production capacity of the furniture business of the Group, and that the Remaining Group will be able to carry out its existing businesses with a sufficient level of operations and assets of sufficient value to support its operations after the Completions.

### *3.4 Section conclusion*

Having considered the above, in particular (i) the Group's consecutive losses attributable to owners of the Company for FY2023, FY2024 and HY2025; (ii) the Group's net current liability position as at 30 June 2025 of approximately RMB977.8 million; (iii) the Group's total borrowings as at 30 June 2025 of approximately RMB3,171.8 million with increasing net gearing ratio during HY2025; (iv) the Group's total borrowings repayable within one year of approximately RMB2,587.9 million as at 30 June 2025; (v) as discussed in the section headed "Going concern" in this letter, it is in line with the plans of the Group to dispose of certain equity interests in both associate and subsidiaries to mitigate the liquidity pressure and to improve the financial position of the Group; (vi) the Disposals will enhance the financial and net debt position of the Group; (vii) both the SCFL Consideration and the Hengcheng Consideration represent premiums over the SCFL Market Value and Hengcheng Market Value, respectively, as discussed in the sections below; and (viii) the Disposals would have no material impact on the business model, operational structure and production capacity of the furniture business of the Group, we are of the view that the Disposals, though not conducted in the ordinary and usual course of business of Group but is in line with the Group's plan to improve its financial position, are in the interests of the Company and the Independent Shareholders as a whole.

## 4. Principal terms of the SCFL Equity Transfer Agreement

***Parties***

(i) Royal Finance Lease Limited, as vendor;

(ii) Science City (Guangzhou) Investment Group Co., Ltd.* (科學城(廣州)投資集團有限公司), as purchaser; and

(iii) Science City (Guangzhou) Finance and Leasing Co., Ltd.* (科學城(廣州)融資租賃有限公司).

***Assets to be Disposed of***

Pursuant to the SCFL Equity Transfer Agreement, Royal Finance Lease has conditionally agreed to sell, and Science City has conditionally agreed to purchase, 18.06% of the equity interest in SCFL, together with all rights and interests attached thereto with effect from the date of the SCFL Completion.

***Consideration***

As stated in the Letter from the Board, the SCFL Consideration to be paid by Science City to Royal Finance Lease is RMB416,752,500.

The SCFL Consideration was determined after arm's length negotiations between Science City and Royal Finance Lease, with reference to, among others, (1) the valuation of 18.06% of the equity interest in SCFL (the "**SCFL Valuation**") which amounted to RMB395 million as at 30 June 2025 (the "**SCFL Market Value**"), based on the income approach, as contained in the SCFL Valuation Report; (2) the nature of the business of SCFL, in particular SCFL's qualifications and license to conduct a finance lease business; and (3) the potential enhancement of efficiency and synergistical effect for Science City by holding all the equity interest in SCFL after the SCFL Completion.

For details of the principal terms of the SCFL Equity Transfer Agreement, please refer to the section headed "2. THE SCFL DISPOSAL" in the Letter from the Board.

In assessing the fairness and reasonableness of the terms of the SCFL Equity Transfer Agreement, we have primarily reviewed the SCFL Valuation Report and conducted interviews with the Valuer in relation to the SCFL Valuation, details of our analysis of which are set out below.

***4.1 Expertise and experience of the Valuer***

In assessing the fairness and reasonableness of the SCFL Valuation, we have reviewed the SCFL Valuation Report and conducted interviews with the Valuer regarding, among others, their relevant qualifications and experiences, independence and principal bases and assumptions adopted in the SCFL Valuation Report. According to the relevant information provided by the Valuer and our independent research conducted in the public domain, the Valuer, International Valuation Limited, is a leading provider of appraisals for various assets and has abundant experience in providing services to Hong Kong listed companies and multi-national companies. The Valuer is specialised in the provision of independent comprehensive corporate consultancy and valuation services. In relation to the experiences of the Valuer, we have interviewed with the Valuer and were given to understand that Ms. Winnie Lam ("**Ms. Lam**") and Mr. Kevin Kwong ("**Mr. Kwong**") are the persons-in-charge of the SCFL Valuation and the valuation of the 100% of the equity interest in Hengcheng

(the "**Hengcheng Valuation**"). Ms. Lam has more than ten years of experience in valuation and financial analyses, including business valuation, valuation of intangible assets, financial instruments, natural resources projects and purchase price allocation. Ms. Lam is a charter holder of Chartered Financial Analyst (CFA) and she graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration, double-major in finance and management of organizations. Mr. Kwong has more than ten years of experience in business valuation, intangible assets valuation, purchase price allocation, and impairment tests for financial reporting and transaction reference purposes. Mr. Kwong is a charter holder of Chartered Financial Analyst (CFA), Chartered Valuer and Appraiser, Singapore (CVA) and Financial Risk Manager (FRM). Mr. Vincent Pang ("**Mr. Pang**") is the person-in-charge of the property valuation of Hengcheng. Mr. Pang is a Member of the Hong Kong Institute of Surveyors (General Practice Division), a Member of the Royal Institution of Chartered Surveyors (Valuation) and a Registered Professional Surveyor (General Practice) with over 28 years of experience in property valuation and advisory services in the Greater China region and various overseas countries. The Valuer confirmed that it was an independent third party to the Group, Science City Group or their respective connected persons as at the Latest Practicable Date. Upon review of the engagement letter between the Company and the Valuer in respect of the SCFL Valuation and the Hengcheng Valuation, we noted that the scope of work is appropriate to the opinion required to be given, and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer in the Valuation Report. Further, during the course of our review of the SCFL Valuation and the Hengcheng Valuation, and the discussions with the Valuer, we were not aware of any material facts that would cause us to cast doubts on the experience and expertise of the Valuer in conducting the SCFL Valuation and the Hengcheng Valuation.

### *4.2 Valuation methodology*

According to the SCFL Valuation Report and as discussed with the Valuer, the methods commonly used to develop approximate indications of value for a business or assets are income approach, market approach and cost approach. In developing their opinion, the Valuer considered all three approaches to value for the asset types and chose the most appropriate approach or approaches for each. In estimating the market value of the equity interest in the SCFL, they relied primarily on the income approach in the form of a discounted cash flow ("**DCF**") methodology. The income approach allows them to incorporate the specific business development plans and scheduled capital injections, if any, of the SCFL. Moreover, it could capture the future earning potential and expected turnaround of the business operations of the SCFL. Hence, they considered it is fair and reasonable to adopt the income approach in arriving at the market value of the SCFL.

The market approach benchmarks the SCFL's equity value against publicly traded comparable companies, based on similarity and comparability in financial performance and business nature. However, the Valuer observed a consistent decline in the SCFL's revenue and operating profit excluding non-recurring or non-operating items from FY2022 to HY2025. Given the deterioration and fluctuation in the SCFL's business operations and financial performance as of the Valuation Date, it is subjective to estimate a normalized financial baseline for a meaningful comparison with publicly traded comparable companies. In addition, because the market approach involves a high-level comparison between the SCFL and similar companies trading in the public market, it is more difficult to capture the specific characteristics (including revenue, costing, cashflows, capital investment, etc.) of the SCFL when adopting the market approach than adopting the income approach, which incorporates historical financial information and projections. Therefore, the market approach was not adopted in this valuation. The cost approach was also not applied for the valuation of the SCFL as it tends to understate the value of an income-generating business.

As disclosed in the SCFL Valuation Report, it was prepared in accordance with International Valuation Standards 2025.

Based on above, we concur with the Valuer that the income approach is the most appropriate methodology for the SCFL Valuation.

***4.3 Key assumptions***

During our review, we noted that the SCFL Valuation were conducted based on the key assumptions that, among others, as at the Valuation Date, (i) unaudited consolidated management accounts of the SCFL for HY2025 (the "**Management Accounts**") as provided by the Management can reasonably represent its financial position and performance of the SCFL as of the Valuation Date since audited financial accounts as of the Valuation Date was not available; (ii) it is assumed the total balance of the borrowings and financial leasing related operating liabilities of the SCFL will be maintained at the same level as the total balance of its financial leasing related long-term receivables and other non-current financial assets to support the operation and future development of the SCFL over the forecasted period, while any unutilized borrowings and financial leasing related operating liabilities will be repaid; (iii) there will be no major changes in the current taxation laws in the territories in which the SCFL operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with; (iv) there will be no major changes in the political, legal, economic or financial conditions in the Territories in which the SCFL operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the SCFL; (v) the Target Group will retain and have competent management, key personnel, and technical staff to support its ongoing operation; (vi) all relevant legal approvals and business certificates or licenses to operate the business in the localities in which the SCFL operates or intends to operate has or would be officially obtained and renewable

upon expiry; (vii) industry trends and the market conditions for related industries will not deviate significantly from economic forecasts; and (viii) all information and representations provided by the Management, for which they are solely and wholly responsible for are true, accurate and complete in all material respect.

We have discussed with the Valuer regarding the adoption of the above-mentioned key assumptions for the SCFL Valuation and were given to understand that these assumptions are commonly adopted in and in line with the general market practice for valuation based on the income approach for similar assets.

***4.4 Assessment of the SCFL Valuation***

As set out in the SCFL Valuation Report, the DCF methodology views a company as an operating entity, with the principal focus of the analysis on the operating entity's ability to generate free cash flow in the future. Free cash flow to equity ("**FCFE**") is a measure of how much cash can be paid to the equity shareholders of a company after all expenses, reinvestment and debt were paid. Reasonable projections of operating income, expenses, and reinvestment requirements (i.e. net working capital and capital expenditures) form the basis for estimating the future FCFE that a company will likely generate from its business. The Management has provided the financial projections for the six years ending 31 December 2030 of the SCFL (the "**Financial Projections**"), which formed the basis of the DCF analysis.

The DCF analysis was based on key qualitative factors applicable to the SCFL Valuation, outlook for the general economy of the territory in which it operates, and discussions with and projections prepared by the Management. FCFE for each year of the projection period was calculated by adding back other items affecting cash flows to net profit. Non-cash expenses, such as depreciation and amortization, were added, incremental investments in net working capital and capital expenditures were deducted, and net borrowings were added.

In addition to calculating the free cash flows throughout the projection period, it was necessary to calculate the terminal value of the SCFL, which reflects the value of the equity at the end of the projection period. The terminal value was calculated by applying the Gordon Growth Model with a long-term growth rate.

The projected free cash flows, including the terminal value, were discounted to present value at a discount rate (the "**Discount Rate**"). The Discount Rate is the rate of return that an investor would require on an investment in the business. This rate of return should reflect macroeconomic, industry, and company-specific factors that translate into the degree of perceived risk to achieve these projected results. The Valuer has confirmed that the above DCF methodology is commonly applied in the valuation of similar companies and is in line with the market practise.

Set out below are the key assumptions of the SCFL Valuation:

*Revenue*

Projected revenue primarily comprises finance leasing income, which is estimated by the financial leasing related interest-earning assets (the "**Interest-Earning Assets**") multiplied by the rental return rate (the "**Rental Return Rate**"). According to the valuation information provided by the Valuer (the "**Valuation Workings**"), we note that the Interest-Earning Assets for FY2025 is in line with Interest-Earning Assets as at 31 December 2024. As advised by the Valuer and the Management, it is projected that the Interest-Earning Assets will increase by RMB300 million annually for the five years ending 31 December 2030 (the "**Annual Increment**"). Such Annual Increment is determined after considering (i) the projected net profit of SCFL approximately RMB80 million for FY2025; (ii) the business investment leverage ratio[1] of SCFL of approximately 3 times as at 31 December 2024 and 30 June 2025; and (iii) the registered capital of SCFL was increased to RMB1.8 billion following an additional capital injection of RMB500 million by Science City in late 2024. As further advised by the Valuer, the Rental Return Rate was set at approximately 8.5% for the Financial Projections with reference to the historical rental return rates of SCFL. We have reviewed the Valuation Workings and: (i) cross-checked the projected net profit of SCFL for FY2025, as well as the calculation of the business investment leverage ratio[1] of SCFL as at 30 June 2025; and (ii) note that Rental Return Rate fall within, and was set at the higher end of, the historical rental return rates of SCFL. Considering that (i) SCFL's historical revenue exhibited a downward trend during the three years ended 31 December 2024; and (ii) its projected revenue under the Financial Projections anticipated an upward trend, we are of the view that the revenue projection is in the interests of the Company from the perspective of the Disposal.

*Cost of service*

Cost of service comprises of comprehensive financing costs, which is estimated based on the Interest-Earning Assets and the forecasted comprehensive interest rate of financing costs. The Valuer has adopted forecasted comprehensive interest rate of financing costs of 5% for the Financial Projections. We have reviewed the Valuation Workings and note that such forecasted comprehensive interest rates of financing costs are in line with the historical comprehensive interest rates of financing costs of SCFL.

[1] The business investment leverage ratio is calculated as the Interest-Earning Assets divided by the net asset value.

*Operating expenses*

Operating expenses, excluding depreciation and amortization expenses, comprise selling expenses, administrative expenses, rental expense and asset impairment losses. We note from the Valuation Workings that the percentages of projected operating expenses (excluding asset impairment losses) to the corresponding projected revenue for the Financial Projection ranged from approximately 9% to 10%, which is in line with the percentages of historical operating expenses (excluding asset impairment losses) to the respective historical revenues of SCFL. Whilst the projected asset impairment losses are estimated based on (i) the percentages of historical asset impairment losses to the corresponding historical Interest-Earning Assets (the "**Impairment Loss Ratio**"); and (ii) the Interest-Earning Assets. Based on our discussion with the Valuer and review of the Valuation Workings, we note that Impairment Loss Ratio of approximately 0.8% was adopted by the Valuer for determining the projected asset impairment losses, after considering (i) the average of Impairment Loss Ratios of approximately 0.8% for the years ended 31 December 2021, 2023 and 2024 (the "**Average Historical Impairment Loss Ratios**"); (ii) the exclusion of the relatively high Impairment Loss Ratio for FY2022, which was due to the specific and non-recurring industry condition; (iii) the industry's bad debt rate announced by the Leasing Industry Working Committee of the China Foreign Investment Enterprise Association (中國外商投資企業協會租賃業工作委員會) of approximately 0.5% (the "**Industry Bad Debt Rate**"). We have reviewed and recomputed the Average Historical Impairment Loss Ratios. In addition, we have reviewed the Industry Bad Debt Rate and understand from the Valuer that the Industry Bad Debt Rate is an industry commonly used reference data. Accordingly, we are of the view that setting the projected impairment loss ratio at a level consistent with the Average Historical Impairment Loss Ratios and above the Industry Bad Debt Rate is reasonable.

*Capital expenditure, depreciation and amortization expenses*

As advised by Valuer, having considered that the finance leasing business of the SCFL is relatively asset-light in terms of fixed assets and intangible assets, the capital expenditures under the Financial Projection were projected to maintain the existing level of fixed assets and intangible assets level for the operation of the SCFL. We understand from the Valuer that the projected depreciation and amortization expenses were calculated based on the net book values of the fixed assets and intangible assets and their corresponding useful life. In addition, we reviewed the Valuation Workings with the Valuer and confirmed that such calculations were in line with the accounting policy adopted by SCFL.

*Income tax expense*

The projected income tax expenses were derived based on the applicable income tax rate of the PRC of 25%.

*Net working capital*

The net working capital are projected based on the working capital requirements to support the operation and development of the SCFL. Based on our review of the Valuation Workings, we note that (i) the long-term receivables for each year-end under the Financial Projections are equal to the Interest Earning Assets; (ii) the other non-current financials assets were projected to remain at the same level as at 30 June 2025; and (iii) the projected changes in net working capital for the six months ended 31 December 2025 and the five years ending 31 December 2030 are consistent with the Annual Increment. In relation to the change in net working capital for FY2025, as disclosed in the SCFL Valuation Report, the expected change is primarily due to the decrease in long-term receivables and the decrease in or the repayment of unutilized financial leasing funding from the Valuation Date to 31 December 2025 as one of the major assumptions of the SCFL Valuation assumed that any unutilized financial leasing funding will be repaid during the forecasted period so as to support the financial leasing related assets with sufficient financial leasing funding for a sustainable business development and sound asset and liability management. As advised by the Management, certain recoveries of long-term receivables are expected to take place between 30 June 2025 and 31 December 2025. As a result, the long-term receivables balance is expected to decrease from approximately RMB6,210 million as of 30 June 2025 to approximately RMB5,996 million as of 31 December 2025, which is consistent with the projected Interest-Earning Assets balance as at 31 December 2025.

*The Discount Rate*

As stated in the SCFL Valuation Report, the Valuer adopted the Discount Rate of approximately 14.0% for the SCFL Valuation, which was derived based on the capital asset pricing model. Set out below are the major components in calculating the Discounting Rate:

(a) Risk-free rate of return

Risk free rate of return of approximately 1.65% was adopted by the Valuer with reference to the 10-year government bond yield of the PRC. The data adopted is consistent with our findings from latest available public source.

(b) Relevered Beta

When determining the relevered beta for the Discount Rate, the Valuer has reviewed beta of a list of comparable companies, which are public companies with business scopes and operations similar to SCFL, to obtain the industry beta. The industry beta was then relevered with the industry's average debt-to-equity ratio. The relevered beta adopted for calculating the Discount Rate was approximately 1.87. As confirmed by the Valuer, the above methodology is commonly adopted approach in determining relevered beta.

We note that the comparable companies selected by the Valuer (i) are principally engaged in operation of financial leasing in the PRC, which is close to the business activities of SCFL; (ii) with over 50% of the total revenue of the companies generated from financial leasing in their preceding financial year; (iii) have pertinent operating histories of more than three years in financial leasing in the PRC, and their shares are listed and traded (not suspended from trading) on stock exchanges as of the Valuation Date with more than three years of listing history; and (iv) with financial information and relevant market data of the companies available to the public. Our review indicates that the comparable companies selected by the Valuer meet the aforementioned criteria. We also (i) cross-checked the betas of the comparable companies against the Bloomberg source data and confirmed their consistency; and (ii) recomputed the relevered beta using the industry's average debt-to-equity ratio.

(c) Market Risk Premium

Market risk premium of the PRC of approximately 5.27% was adopted by the Valuer. As confirmed by the Valuer, the market risk premium data was sourced from Damodaran Online, which is a commonly adopted source of information for DCF valuation. For our diligence purpose, we obtained the source document which conformed with data adopted here.

(d) Size premium

Based on the company size of SCFL, size premium of approximately 1.73% was adopted by the Valuer. As confirmed by the Valuer, the size premium data was extracted from the Kroll Cost of Capital Navigator., which is a commonly adopted source of information for DCF valuation. For our diligence purpose, we obtained the source document which conformed with data adopted here.

(e) Company specific risk premium

Company specific risk premium of approximately 1% was adopted by the Valuer. As confirmed by the Valuer, the company specific risk premium adopted in the SCFL Valuation is in line with the premium level commonly applied in similar valuations.

*Terminal Value*

Terminal value was calculated by applying the Gordon Growth Model using long-term growth rate of 2%. According to the Valuer, the long-term growth rate adopted in the SCFL Valuation is aligned with the rates commonly applied in similar valuations.

*Discount for lack of marketability*

We understand from the Valuer that discount for lack of marketability ("**DLOM**") is commonly considered in the valuations of privately held companies as shareholders of privately held companies do not have the same access to trading markets that shareholders of publicly traded companies enjoy. Therefore, the market value of the privately held company must be adjusted to reflect its lack of liquidity and ready market. Based on Stout Restricted Stock Study Companion Guide 2024 published by Stout Risius Ross, LLC, DLOM of approximately 15.60% was being adopted. As confirmed by the Valuer, the Stout Restricted Stock Study Companion Guide is a commonly adopted source of information for DLOM. For our diligence purpose, we obtained the source document which conformed with data adopted here.

*Discount for lack of control*

We further understand from the Valuer that discount for lack of control ("**DLOC**") is commonly considered in the valuations of non-controlling interest as investor expects discount of value of minority interest due to lack of management control power over a company. Based on the FactSet/BVR Control Premium Study 4th Quarter, 2024 published by Business Valuation Resources, LLC, DLOC of approximately 14.7% was being adopted. As confirmed by the Valuer, the FactSet/BVR Control Premium Study is a commonly adopted source of information for DLOC. For our diligence purpose, we obtained the source document which conformed with data adopted here.

### *4.5 Section conclusion*

In light of the above, we are of the view that the valuation methodology and key valuation assumptions adopted by the Valuer in the SCFL Valuation are fair and reasonable and in the interests of the Company. Nevertheless, the Independent

Shareholders should note that the SCFL Valuation involved certain valuation assumptions and therefore their respective market values may not reflect the exact transaction value of the equity interests in SCFL should they be sold in the market.

Given the SCFL Consideration represents a premium of approximately 5.5% over the SCFL Market Values and having considered the above, we are of the view that the terms of the SCFL Equity Transfer Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

**5. Principal terms of the Hengcheng Equity Transfer Agreement**

***Parties***

(i) Ocean Concept Limited, as vendor;

(ii) Science City (Guangzhou) Development Group Co., Ltd.* (科學城(廣州)發展集團有限公司), as purchaser;

(iii) Guangdong Hengcheng Furniture Co., Ltd.* (廣東恒誠傢俬有限公司); and

(iv) Royale Home Holdings Limited.

***Assets to be Disposed of***

Pursuant to the Hengcheng Equity Transfer Agreement, Ocean Concept has conditionally agreed to sell, and SC Development has conditionally agreed to purchase, 100% of the equity interest in Hengcheng, together with all rights and interests attached thereto with effect from the date of the Hengcheng Completion.

Upon the Hengcheng Completion, the remaining assets and liabilities within Hengcheng would be the Hengcheng Target Assets and Liabilities (i.e. the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities), being the subject matter of the Hengcheng Disposal.

***Consideration***

Pursuant to the Letter from the Board, the Hengcheng Consideration to be paid by SC Development to Ocean Concept is RMB11,338,566.62.

The Hengcheng Consideration was determined after arm's length negotiations between SC Development and Ocean Concept, with reference to, among others, the Hengcheng Valuation which amounted to RMB10,800,000 as at 30 June 2025 (the "**Hengcheng Market Value**"), based on the cost approach, as contained in the Hengcheng Valuation Report. The Hengcheng Valuation was conducted on the assumption that completion of the Hengcheng Reorganisation has taken place, given

that completion of the Hengcheng Reorganisation is a condition precedent to the Hengcheng Completion.

For details of the principal terms of the Hengcheng Equity Transfer Agreement, please refer to the section headed "3. THE HENGCHENG DISPOSAL" in the Letter from the Board.

In assessing the fairness and reasonableness of the terms of the Hengcheng Equity Transfer Agreement, we have primarily reviewed the Hengcheng Valuation Report, conducted interviews with the Valuer in relation to the Hengcheng Valuation, details of our analysis of which are set out below.

***5.1 Expertise and experience of the Valuer***

For details of the expertise and experience of and our relevant due diligence work and analysis on the Valuer, please refer to the sub-section headed "4.1 Expertise and experience of the Valuer" above of this letter.

***5.2 Valuation methodology***

According to the Hengcheng Valuation Report, the Valuer adopted the cost approach in the Hengcheng Valuation. As discussed with the Valuer, in developing the Hengcheng Valuation, the Valuer has considered all three commonly used valuation approaches for business and asset valuation. In estimating the Hengcheng Market Value, the Valuer relied primarily on the cost approach. Under this approach, each of the individual assets and liabilities of the Hengcheng are valued on the market value basis. The Valuer has been advised by the Management that after the Reorganisation, the Hengcheng will mainly hold the Hengcheng Land and Construction Interests, and it will no longer be able to continue its existing principal business of furniture production. Therefore, the Hengcheng Market Value will primarily reside in these remaining assets after the Reorganisation. In addition, specific assumptions and market data that are most relevant to the Hengcheng Land and Construction Interests could be taken into the consideration when assessing their market values. Hence, the Valuer considered the adoption of the cost approach is fair and reasonable.

For market approach, market approach benchmarks the Hengcheng's equity value to that of the publicly trading comparable companies based on the similarity and comparability on their financial performances and business nature. Since the specific attributes and location of the Hengcheng Land and Construction Interests remained in the Hengcheng after the Reorganisation are vastly different across different companies, the market approach is not appropriate for the Hengcheng Valuation in view of such possible fundamental difference between the Hengcheng and publicly trading comparable companies. Also, the discontinuation of existing principal business of the Hengcheng makes it infeasible to conduct a meaningful comparison with publicly traded comparable companies. In terms of income approach, income approach

is not adopted since prospective financial projection at market participants' point of view, which is subject to a number of assumptions and contingent factors, was not reliably available. There is no business development plan of the Hengcheng after the Reorganisation. Concerning that the valuation would be significantly impacted by any inappropriate assumptions made in the cashflow forecast of the Hengcheng, it is considered that the income approach is not appropriate for this valuation.

Based on above, we concur with the Valuer that cost approach is the most appropriate in the Hengcheng Valuation.

***5.3 Key assumptions***

During our review, we noted that the Hengcheng Valuation were conducted based on the key assumptions that, among others, as at the Valuation Date, (i) the unaudited consolidated management accounts of the Hengcheng for HY2025, after the Reorganisation, as provided by the Management can reasonably represent its financial position and performance of the Hengcheng as of the Valuation Date since audited financial accounts as of the Valuation Date was not available; (ii) there will be no major changes in the current taxation laws in the territories (the "**Territories**") in which the Hengcheng operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with; (iii) there will be no major changes in the political, legal, economic or financial conditions in the Territories in which the Hengcheng operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the Hengcheng; (iv) the Hengcheng will retain and have competent management, key personnel, and technical staff to support its ongoing operation; (v) all relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Hengcheng operates or intends to operate has or would be officially obtained and renewable upon expiry; (vi) industry trends and the market conditions for related industries will not deviate significantly from economic forecasts; and (vii) all information and representations provided by the Management, for which they are solely and wholly responsible for are true, accurate and complete in all material respect.

We have discussed with the Valuer regarding the adoption of the above-mentioned assumptions and were given to understand that these assumptions are in line with the general market practice for valuation based on the cost approach.

***5.4 Assessment of the Hengcheng Valuation***

The Valuer has adopted the cost approach in the Hengcheng Valuation. Each of the assets and liabilities of the Hengcheng are valued on the market value basis and the market values of the assets and liabilities are netted off to arrive at the Hengcheng Market Value.

As set out in the Hengcheng Valuation Report, based on the unaudited consolidated management accounts of the Hengcheng for HY2025, after the Hengcheng Reorganisation, the assets of the Hengcheng mainly include cash and cash equivalents, other current assets, other receivables, amount due from Ocean Concept, the Hengcheng Land and Construction Interests and deferred tax assets; while the liabilities of the Hengcheng mainly include other payables, amount due to the Company, non-current liabilities due within one year and deferred income.

It is noted from the Hengcheng Valuation Report that the book value and market value of the Hengcheng as at 30 June 2025 was approximately RMB11.9 million and RMB10.8 million, respectively. Details of adjustments (if any) to each of the asset and liability items of Hengcheng are set out below:

*Cash and cash equivalents*

Cash and cash equivalents represent liquid cash with no restriction nor limitation on its usage, therefore, its book value is deemed by the Valuer to have fully reflected its market value.

*Other receivables and amount due from Ocean Concept*

Other receivables comprise a guaranteed deposit paid to a third party financier, which is a wholly-owned subsidiary of a company listed in the Stock Exchange principally engaged in financial leasing business. The Management considered that the possibility of default or non-repayment of the other receivables from the third party financier and the amount due from Ocean Concept, which is a wholly-owned subsidiary of the Company, is minimal. Besides, the Management has reviewed the other receivables and has made impairment adjustments on those long outstanding balances and on those balances that cannot be recovered if applicable. Hence, it is expected that there is no significant difference between market value and book value of the other receivables and amount due from Ocean Concept. Additionally, Hengcheng expects the recovery of such amounts would be made within one year from the Valuation Date and after the completion of the Hengcheng Disposal. Given the short-term nature of the remaining other receivables, the Valuer is of the view that these book values are deemed to have closely reflected its market value without any discount or premium to be applied.

*The Hengcheng Land and Constructions Interests*

The Hengcheng Land and Constructions Interests consist of a parcel of land which includes the un-utilised portion (the "**Un-utilised Portion**") and the completed portion (the "**Completed Portion**"), with a total land area of approximately 75,092 square metres for industrial use located at Launch District in Guangde (Yingde) Industrial Park, Guangqing Economic Special Cooperation

Zone (廣清經濟特別合作區廣德(英德)產業園啟動區) in the Guangdong Province, together with buildings erected thereon and relevant constructions in progress (the "**CIP**").

The aggregate market value of the Hengcheng Land and Construction Interests under the assumption that the Hengcheng Land and Construction Interests can be freely transferred in the market without restriction is approximately RMB103,000,000 as of the Valuation Date (the "**Hengcheng Land and Construction Interests Market Value**"). For details, please refer to the Appendix VII of the Circular.

In assessing the fairness and reasonableness of the valuation of the Hengcheng Land and Construction Interests of the Hengcheng (the "**Hengcheng Properties Valuation**"), we have primarily reviewed the Hengcheng Properties Valuation Reports, conducted interviews with the Valuer in relation to the Hengcheng Properties Valuation, details of our analysis of which are set out below.

(i) Valuation approach

As set out in the Hengcheng Properties Valuation Reports, the Valuer has valued the Un-utilised Portion and Completed Portion by the market approach using direct comparison method, where comparison based on prices realized on actual sales of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of the Un-utilised Portion and Completed Portion in order to arrive at a fair comparison of market value. Market approach is considered as the best valuation approach for valuing a property when the transaction information of relevant market comparable is sufficiently available in the market. We have confirmed with the valuer that it is a normal market practice to conduct valuation of similar properties based on market approach.

In appraising the market value of the CIP, the Valuer adopted the cost approach. Such approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for all relevant forms of obsolescence. It provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. We understand from the Valuer that cost approach is commonly adopted in valuation of construction in progress.

(ii) Key assumptions

The Hengcheng Properties Valuation has been made on the assumption that (a) the seller sells the property on the open market in its existing state without the benefit of a deferred term contract, atypical financing, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the Property; (b) no allowance has been made for any charge, mortgage or amount owing on any of the Hengcheng Land and Constructions Interests nor for any expense or taxation which may be incurred in effecting a sale; and (c) it is assumed that the Hengcheng Land and Constructions Interests are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value.

We have discussed with the Valuer regarding the adoption of the above-mentioned key assumptions for the Hengcheng Properties Valuation and were given to understand that these assumptions are commonly adopted in and in line with the general market practice for valuation based on the market approach for similar properties.

(iii) Assessment on the valuation of the Un-utilised Portion

As advised by the Valuer, in assessing the market value of the Un-utilised Portion, they have considered the comparable sales of industrial land of similar nature and in the vicinity of the Un-utilised Portion (the "**Land Comparables**"). The Land Comparables are primarily selected based on the criteria that they: (i) are recent actual transaction; (ii) are located in the same industrial park as the Un-utilised Portion; (iii) have the same usage, class and plot ratio as the Un-utilised Portion; and (iv) have similar land use rights terms. Our review indicates that the Land Comparables meet the aforementioned selection criteria We have confirmed with the Valuer that the selection criteria adopted for the Land Comparables are consistent with those commonly applied in the valuation of land with similar characteristics. In addition, we note from circulars which contained land valuation report published by Hong Kong listed companies that the above-mentioned selection criteria were commonly adopted in land valuation.

The Valuer relied on 中國土地市場網 ("**Land China***") (https://www.landchina.com/#/) as the source of information for the Land Comparables. According to our independent research, Land China is an official national-level platform for information on and transaction data of the PRC land market, sponsored by the Real Estate Registration Center of the Ministry of Natural Resources of the PRC. Its information is prepared and published by natural resources authorities of the PRC. We have confirmed with the Valuer that Land China is commonly used sources of information for property valuation of similar nature. We are of the view that the sources of information for the Land Comparable are reliable. In evaluating the completeness of the Land

Comparables, we (i) understand from the Valuer that adopting three recent comparable transactions as of the Valuation Date is consistent with prevailing industry practice for determining the market value of the Un-utilised Portion; (ii) have confirmed with the Valuer that the three recent comparable transactions are sufficient, representative and appropriate for assessing the market value of the Un-utilised Portion, as these exhaustively selected comparable transactions are considered capable of reflecting the latest market value of industrial land located within the same industrial park as the Un-utilised Portion as of the Valuation Date; and (iii) conducted search on Land China and noted that the findings are consistent with the Land Comparables.

Moreover, we have reviewed the Hengcheng Properties Valuation Reports and noted that the average adjusted unit rates adopted by the Valuer for the valuation of the Un-utilised Portion were in line with the unite rates of the Land Comparables. In arriving the average adjusted unit rates of the Un-utilised Portion, size adjustments were being made by the Valuer on the unite rates of the Land Comparables. We note from circulars which contained land valuation report published by Hong Kong listed companies that size adjustment was commonly adopted in land valuation.

(iv) Assessment on the valuation of the Completion Portion

As advised by the Valuer, in assessing the market value of the Completed Portion, they have considered the comparable sales of industrial properties in the vicinity of the Completed Portion (the "**Completed Portion Comparables**"). The Completed Portion Comparables are primarily selected based on the criteria that they: (i) are recent asking evidence; (ii) are located in the same city and district as the Completed Portion; (iii) have the same usage as the Completed Portion; and (iv) have similar land use rights terms. Our review indicates that the Completed Portion Comparables meet the aforementioned selection criteria. We note from circulars which contained industrial property valuation report published by Hong Kong listed companies that the above-mentioned selection criteria were commonly adopted in industrial property valuation. In addition, we have confirmed with the Valuer that the selection criteria adopted for the Completed Portion Comparables are consistent with those commonly applied in the valuation of industrial property with similar characteristics.

The Valuer relied on 58 同城 ("**58 Tongcheng***") (https://about.58.com/) as the source of information for the Completed Portion Comparables. According to our independent research, established in 2005, 58 Tongcheng is a well-established life services platform in PRC. 58 Tongcheng's real estate platform offers a comprehensive feature designed to streamline the property search process, provides extensive property listings for sales and leasing of both residential and commercial properties and enables users to filter real estate listings or transactions by location, price, size, and other criteria. Additionally,

58 Tongcheng offers virtual property tours for remote viewing and provides valuable market insights and trends to help users better understand the real estate market. We have confirmed with the Valuer that the 58 Tongcheng is a commonly used source of information for property valuation of similar nature. In We are of the view that the source of information for the Completed Portion Comparable are reliable. In evaluating the completeness of the Completed Portion Comparables, we (i) understand from the Valuer that adopting three recent comparable transactions as of the Valuation Date is consistent with prevailing industry practice for determining the market value of the Completed Portion; and (ii) have confirmed with the Valuer that the three recent comparable transactions are sufficient, representative and appropriate for assessing the market value of the Completed Portion, as these exhaustively selected comparable transactions are considered capable of reflecting the latest market value of the industrial properties in the vicinity of the Completed Portion as of the Valuation Date. Based on our review and as advised by the Valuer, the properties and related information listed for sale on 58 Tongcheng are continuously updated, and therefore we were unable to retrieve comparable information as of the Valuation Date. Nevertheless, we conducted a search on 58 Tongcheng and identified the Completed Portion Comparables, noting that their unit rates are consistent with the latest information quoted on the platform.

In addition, we have reviewed the Hengcheng Properties Valuation Reports and noted that the average adjusted unit rates adopted by the Valuer for the valuation of the Completed Portion were in line with the unite rates of the Completed Portion Comparables. In arriving the average adjusted unit rates of the Completed Portion, asking nature, location, size and land use right term adjustments were being made by the Valuer on the unite rates of the Completed Portion Comparables. We note from circulars which contained land valuation report published by Hong Kong listed companies that the aforesaid adjustments were commonly adopted in industrial property valuation.

(v) Assessment on the valuation of the CIP

We understand from the Valuer that the market value of the CIP was mainly derived based on (i) the book value of the CIP as at 30 June 2025 as per the unaudited consolidated management accounts of the Hengcheng for HY2025; (ii) the useful life of the CIP. As confirmed by the Valuer, we note that (i) the useful life of the CIP applied in the valuation of CIP is determined based on and consistent with the accounting policies adopted by Hengcheng; and (ii) the methodology in arriving the market value of CIP is in line with the industry practice.

(vi) Section conclusion

Taking into account of the above, we consider that the key valuation assumptions and methodologies adopted by the Valuer in the Hengcheng Properties Valuation are fair and reasonable. Nevertheless, the Independent Shareholders should note that the Hengcheng Properties Valuation involved certain valuation assumptions and therefore their respective market values may not reflect the exact transaction value of the Hengcheng Land and Constructions Interests should they be sold in the market.

*Deferred tax assets and other current assets*

Deferred tax assets and other current assets are tax-related items and were estimated at the net amount expected to be recovered from the taxation authorities. The net book value is considered by the Valuer to be close to the market value as of the Valuation Date.

*Other payables, amount due to the Company and non-current liabilities due within one year*

The Management expected that the other payables, amount due to the Company, and non-current liabilities due within one year are required to be settled or repaid, and the Management does not expect any significant difference between their market values and book values. Hence, book values of these liabilities have been adopted by the Valuer as their market values as of the Valuation Date.

*Deferred Income*

Deferred income represents government grant received by Hengcheng for reimbursements of capital expenditure spent on manufacturing activities (the "**Government Grant**").

According to the notice《廣東省工業和信息化廳關於2024年省級促進產業有序轉移專項資金項目入庫儲備工作的通知》(粵工信園區函[2023]9號), Hengcheng has already met the requirements of "project completion and production, and orderly transfer of industries" (項目建成投產、產業有序轉移) specified in the notice. Hengcheng received the full amount of the government grant and it has been recorded as deferred income in December 2024. As advised by the Management, it is unlikely that the government grant will be required by the local government to be returned, and it should be recognized in the profit or loss statement as "undistributed profits". As such, given the nature of the deferred income and the expected minimal risk of its return required by the local government, the fair value of deferred income was considered to be nil by the Valuer. We have obtained from the Management the《2024年度省級財政專項資金績效評估報告》

(the "**Report**") in relation to the Government Grant, of which contains the executed project completion acceptance filing form (工程竣工驗收備案表). The Management confirmed that the Report has been submitted to the relevant government authorities.

***5.5 Section conclusion***

In light of the above, we consider that the valuation methodologies and key valuation assumptions adopted by the Valuer in the Hengcheng Valuation are fair and reasonable. Nevertheless, the Independent Shareholders should note that the Hengcheng Properties Valuation involved certain valuation assumptions and therefore their respective market values may not reflect the exact transaction value of the Hengcheng Land and Constructions Interests should they be sold in the market.

Given the Hengcheng Consideration represents a premium of approximately 5.0% over the Hengcheng Market Value and having considered the above, we are of the view that the terms of the Hengcheng Equity Transfer Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

We notice that the market value of the Hengcheng Land and Construction Interests as at 31 August 2025 as appraised by the Valuer was RMB103,700,000 (the "**Updated Market Value**"), details of which are set out in the Appendix VIIB to the Circular. The Updated Market Value is slightly higher than the Hengcheng Land and Construction Interests Market Value. Based on the discussion with the Valuer, we understand that (i) the Valuer adopted the same methodology, bases and assumptions in arriving the Hengcheng Land and Construction Interests Market Value and the Updated Market Valuer; and (ii) the difference between these two market values was mainly due to the increase in the construction cost of the CIP expended by the Hengcheng. Having considered that: (i) as disclosed in the Letter form the Board, the Disposals have all along been negotiated and agreed between the parties on the basis of a combined proposal; (ii) the SCFL Disposal and the Hengcheng Disposal are inter-conditional upon each other and the Completions shall take place simultaneously; and (iii) even after taking into account the Updated Market Value, the aggregate of the SCFL Consideration and the Hengcheng Consideration represents a premium of approximately 5.3% over the aggregate SCFL Market Value and Hengcheng Market Value, we are of the view that the Updated Market Value would not have a material impact on the Disposals as a whole.

**6. Financial effects of the Disposals**

When assessing the financial impacts of the Disposals, we have primarily taken into account the following aspects:

SCFL has been accounted for as investment in associates and hence its financial results are not consolidated into the financial statements of the Group. Upon the SCFL Completion, the Group will cease to hold any equity interest in SCFL.

Upon the Hengcheng Completion, the Group will cease to hold any equity interest in Hengcheng. Hengcheng will cease to be a subsidiary of the Company, and the financial results of Hengcheng will cease to be consolidated in the financial statements of the Group.

***Earnings***

The SCFL Consideration is RMB416,752,500. The unaudited net asset value of SCFL as at 30 June 2025 was approximately RMB1,814.26 million and the transfer of the SCFL Equity Interest represented net asset value of approximately RMB341,244,272 (being the carrying amount of the Group's 18.06% interest in SCFL of approximately RMB327.7 million as at 30 June 2025 as adjusted by the goodwill on acquisition of approximately RMB13.6 million as at 30 June 2025). Based on the unaudited financial information of SCFL as at 30 June 2025, and assuming the SCFL Completion had taken place as at 30 June 2025, the Group is expected to record a gain (before tax and expenses) from the SCFL Disposal of not more than approximately RMB75.51 million, representing the difference between the SCFL Consideration of received under the SCFL Equity Transfer Agreement and the carrying value of the assets in the accounts of SCFL. Shareholders should note that the actual gain or loss (as the case may be) from the SCFL Disposal to be recorded by the Company will depend on the carrying value of the assets of SCFL as at the date of the SCFL Completion, and therefore may be different from the amount mentioned above.

The Hengcheng Consideration is RMB11,338,566.62. The unaudited net asset value of Hengcheng as at 30 June 2025 was approximately RMB11,896,960.05 (adjusted for the Hengcheng Reorganisation). Based on the unaudited financial information of Hengcheng as at 30 June 2025, and assuming the Hengcheng Completion (including the and the Hengcheng Reorganisation) had taken place as at 30 June 2025, the Group is expected to record a loss (before tax and expenses) from the Hengcheng Disposal of not more than approximately RMB0.56 million, representing the difference between the Hengcheng Consideration received under the Hengcheng Equity Transfer Agreement and the unaudited net asset value of Hengcheng (adjusted for the Hengcheng Reorganisation). Shareholders should note that the actual gain or loss (as the case may be) from the Hengcheng Disposal to be recorded by the Company will depend on the unaudited net asset value of Hengcheng as at the date of Hengcheng Completion, and therefore may be different from the amount mentioned above.

According to the 2024 Annual Report, the Group recorded an audited consolidated loss and loss attributable to owners of the Company of approximately RMB348.3 million and approximately RMB334.4 million, respectively, for FY2024. Based on the "Unaudited Pro Forma Financial Information of the Remaining Group" as set out in Appendix III to the Circular, assuming the Completions had taken place on 31 December 2024, the Remaining Group's unaudited pro forma consolidated loss and loss attributable to owners of the Company for FY2024 would become approximately RMB332.1 million and RMB318.2 million, respectively.

***Assets and liabilities***

According to the 2025 Interim Report, the unaudited consolidated total assets and total liabilities of the Group as at 30 June 2025 were approximately RMB4,907.6 million and RMB3,750.5 million, respectively. Based on the "Unaudited Pro Forma Financial Information of the Remaining Group" as set out in Appendix III to the Circular, assuming the Completions had taken place on 30 June 2025, the unaudited pro forma consolidated total assets and total liabilities of the Remaining Group as at 30 June 2025 would become approximately RMB4,969.6 million and RMB3,747.1 million, respectively.

The aforesaid financial impact is shown for illustrative purpose only. The actual financial effect of the Disposals (including any gain or loss, as the case maybe) will be subject to the review and final audit by the auditors of the Company.

**RECOMMENDATIONS**

Having considered the above-mentioned principal factors and reasons, we are of the view that although the Disposals are not in the ordinary and usual course of business of the Group but is in line with the Group's plan to improve its financial position, the terms of the Disposal Agreements are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution approving the Disposals at the EGM.

Yours faithfully,
For and on behalf of
**Ignite Capital (Asia Pacific) Limited**

| | |
|---|---|
| **Li Lan** | **Tin Ming Kit** |
| *Managing Director* | *Director* |

*Mr. Li Lan is a Managing Director of Ignite Capital and is licensed under the SFO as a Responsible Officer to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Li has over 19 years of corporate finance experience in Hong Kong and has participated in and completed various financial advisory and independent financial advisory transactions.*

*Mr. Tin Ming Kit is a Director of Ignite Capital and is licensed under the SFO as a licensed person to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities. Mr. Tin has over 18 years of investment banking and corporate finance experience in Hong Kong and has participated in and completed various initial public offerings, corporate financial advisory and independent financial advisory transactions.*

* *For identification purpose only*

## 1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the financial years ended 31 December 2022, 2023 and 2024 and for the six months ended 30 June 2025, is disclosed in the following documents which have been published both on the websites of the Stock Exchange at www.hkexnews.hk and the Company at royale.todayir.com, respectively:

- Annual report of the Company for the year ended 31 December 2022 (pages 46 to 132);

  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042703389.pdf

- Annual report of the Company for the year ended 31 December 2023 (pages 52 to 138);

  https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0429/2024042905259.pdf

- Annual report of the Company for the year ended 31 December 2024 (pages 53 to 148); and

  https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042902386.pdf

- Interim report of the Company for the six months ended 30 June 2025 (pages 21 to 40).

  https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0929/2025092900836.pdf

## 2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2025, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group had the following indebtedness:

### 1. Bank and other borrowings

| | **Secured[1] and guaranteed[2]** | **Unsecured and guaranteed[2]** | **Unsecured and unguaranteed** | **Total** |
|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| Bank borrowings | 212,500 | 159,600 | – | 372,100 |
| Other borrowings | 692,562 | – | – | 692,562 |
| Medium term bonds | – | – | 42,027 | 42,027 |
| Loan from the ultimate holding company | – | – | 1,671,133 | 1,671,133 |
| Loan from fellow subsidiaries | – | – | 92,401 | 92,401 |
| Loan from an associate | – | – | 209,063 | 209,063 |
| Loan from non-controlling interest | – | – | 50,554 | 50,554 |
| Loan from the immediate holding company | – | – | 117,765 | 117,765 |
| | 905,062 | 159,600 | 2,182,943 | 3,247,605 |

*Notes:*

(1) Secured by a mix of certain of the Group's property, plant and equipment, right-of-use assets regarding the land use rights and pledged bank deposits.

(2) Guaranteed by a mix of the company, its fellow subsidiaries and ultimate holding company.

### 2. Lease liabilities

As at 30 September 2025, the Group had lease liabilities of approximately RMB26,018,000.

### 3. Contingent Liabilities

As at 30 September 2025, contingent liabilities not provided for in the financial statements were as follows:

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

Under the guarantee, the Group would be liable to pay the bank if the bank is unable to recover the loan. The original loan amount was RMB825,000,000. As at 30 September 2025, the outstanding balance of the bank loans was RMB529,955,000 and the Group's maximum exposure under the financial guarantee contract was RMB211,982,000.

### 4. Commitments

The Group had the following capital commitments as at 30 September 2025:

| | *RMB'000* |
|---|---|
| Contracted, but not provide for: | |
| Construction in progress | 6,937 |

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings, contingent liabilities or guarantees as at 30 September 2025.

## 3. WORKING CAPITAL

The Directors, after due and careful consideration and taking into account the effects of the Disposals and the financial resources available to the Group, including but not limited to internally generated funds and the available facilities, the Group will have sufficient working capital for at least the next twelve months from the date of this circular in the absence of unforeseen circumstances.

The Company has obtained the relevant confirmation as required under Rule 14.66(12) of the Listing Rules.

## 4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2024, being the date to which the latest published audited financial statements of the Group were made up.

## 5. FINANCIAL AND TRADING PROSPECT OF THE GROUP

The Group is principally engaged in the design, sale and manufacture of furniture and trading of commodities. Looking ahead to 2025, the Chinese government is expected to continue implementing policies aimed at maintaining growth, including further elimination of restrictions in the real estate market and promotion of technological innovation. Although the recovery of Chinese economy is anticipated to continue, it will still take some time for the improvement of the consumer market in China.

The Group is determined to continue allocating resources and proactively develop its home furnishing business. Leveraging its brand strength and the influence of its new spokesperson, the Group aims to expand its sales channels, further optimize its cost structure, streamline administrative expenses, and adjust its workforce to enhance operational efficiency and profitability. These measures are designed to address market challenges and solidify the Group's market position.

In 2025, the Group will also focus on optimizing its financial structure and strategically divesting assets to repay bank loans. Although it takes time to dispose of assets and debts, the Group is committed to reducing its debt levels and expenditure to lower financial costs and improve cash flow levels. The Group will closely monitor market developments and remain flexible in adjusting its business strategies to navigate the complex and ever-changing market environment. These efforts are aimed at creating long-term value for shareholders of the Group.

With respect to the Hengcheng Disposal, assuming the completion of the Hengcheng Reorganisation has taken place, Hengcheng's assets will consist mainly of the Hengcheng Land and Constructions Interests which did not contribute any identifiable revenue for the two years ended 31 December 2024 and for the six months ended 30 June 2025, and that the core business of manufacturing and sale of sofa will remain in the Remaining Group through the through the retention of the Operation Related assets and liabilities. With respect to the SCFL Disposal, the Group through Royal Finance Lease only held 18.06% equity interest in SCFL as at the Latest Practicable Date and SCFL is classified as an associated company of the Company, while finance lease has not been classified as an operating segment of the Group. As such, the Company considers that there will be no material change to the Group's business model and operational structure.

The estimated net proceeds (after deducting relevant expenses) of approximately RMB418.6 million to be received by the Group from the Disposals will be utilised for the repayment of part of the Science City Loans in the total amount of approximately RMB418.6 million. The Disposals will help (i) improve the liquidity of the Group by improving its net debt position through the repayment of the Science City Loans by the net proceeds to be received from the Disposals, which would in turn safeguard the continuous operation of the Group's businesses without disruption; (ii) improve the profitability of the Group through the reduction of interest payment; (iii) improve the overall financial position of the Group through the Disposals, with the alleviation of net debt position, would help reduce the costs of future fund financings and open up more fundraising opportunities for the Group, of both equity and debt financing; and (iv) focusing its resources, including both financial and management resources, to the Group's remaining core businesses and thereby strengthening the long-term outlook of the Group's businesses.

## UNAUDITED FINANCIAL INFORMATION OF SCIENCE CITY (GUANGZHOU) FINANCE AND LEASING CO., LTD. ("SCFL")

Set out below are the unaudited statements of financial position of SCFL as at 31 December 2022, 2023 and 2024 and 30 June 2025, and the unaudited statements of profit or loss and other comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flows of SCFL for each of the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 and 2024 (the "Relevant Periods"), and certain explanatory notes (collectively referred to as the "Unaudited Financial Information of SCFL").

The Unaudited Financial Information of SCFL has been prepared on the basis set out in note 2 to the Unaudited Financial Information and prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Unaudited Financial Information of SCFL is prepared by the Directors solely for the purpose of inclusion in this circular.

Grant Thornton Hong Kong Limited (the "Reporting Accountant") was engaged to review the Unaudited Financial Information of SCFL set out on pages IIA-2 to IIA-8 of Appendix IIA of this circular in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA and consequently does not enable the Reporting Accountant to obtain assurance that the Reporting Accountant would become aware of all significant matters that might be identified in an audit. Accordingly, the Reporting Accountant does not express an audit opinion.

Based on the review on the Unaudited Financial Information of SCFL, nothing has come to the Reporting Accountant's attention that causes them to believe that the Unaudited Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information of SCFL.

## (A) UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF SCFL

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2022** | **2023** | **2024** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Revenue** | 522,216 | 451,527 | 406,687 | 196,984 | 157,005 |
| Cost of service | (257,498) | (278,557) | (275,091) | (145,712) | (142,911) |
| **Gross profit** | 264,718 | 172,970 | 131,596 | 51,272 | 14,094 |
| Other income and gains | 7,439 | 10,863 | 46,039 | 24,527 | 50,480 |
| Selling expenses | (20,697) | (20,514) | (24,878) | (10,994) | (10,314) |
| Administrative expenses | (28,874) | (35,234) | (32,717) | (16,976) | (20,669) |
| (Provision)/Reversal of provision for expected credit loss ("ECL") allowance of other receivables and finance lease receivables | (165,843) | (41,608) | (8,122) | 7,660 | (15,297) |
| Finance costs | (22,391) | (20,678) | (37,787) | (4,267) | (38,121) |
| Share of results of associates | 7,890 | 5,002 | 506 | 457 | (323) |
| **Profit/(Loss) before tax** | 42,242 | 70,801 | 74,637 | 51,679 | (20,150) |
| Income tax (expense)/credit | (8,844) | (16,664) | (19,340) | (13,399) | 2,614 |
| **Profit/(Loss) and total comprehensive income/(expense) for the year/period** | 33,398 | 54,137 | 55,297 | 38,280 | (17,536) |

## (B) UNAUDITED STATEMENTS OF FINANCIAL POSITION OF SCFL

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **ASSETS AND LIABILITIES** | | | | |
| **Non-current assets** | | | | |
| Property, Plant and equipment | 1,636 | 1,518 | 1,065 | 839 |
| Right-of-use assets | 5,587 | 2,058 | 11,832 | 10,541 |
| Intangible assets | 1,255 | 1,747 | 4,664 | 4,134 |
| Investment in associates | 218,369 | 219,871 | 268,900 | 269,067 |
| Financial assets at fair value through profit or loss ("FVTPL") | 214,713 | 225,392 | 214,451 | 228,323 |
| Finance lease receivables | 1,560,373 | 1,470,999 | 1,911,840 | 2,020,697 |
| Deferred tax assets | 87,259 | 90,676 | 81,920 | 84,534 |
| | 2,089,192 | 2,012,261 | 2,494,672 | 2,618,135 |
| **Current assets** | | | | |
| Finance lease receivables | 4,629,133 | 3,769,221 | 3,996,903 | 4,189,636 |
| Prepayments, deposits and other receivables | 6,212 | 13,035 | 19,817 | 25,630 |
| Amounts due from fellow subsidiaries | – | 418,261 | 145,497 | 128,405 |
| Amount due from ultimate holding company | – | – | 909,047 | 1,208,115 |
| Derivative financial assets | – | – | 7,113 | 3,289 |
| Tax recoverable | – | – | 5,176 | 8,531 |
| Restricted bank deposits | 298,109 | 115,616 | 53,746 | 166,098 |
| Cash and cash equivalents | 526,117 | 828,472 | 342,606 | 635,294 |
| | 5,459,571 | 5,144,605 | 5,479,905 | 6,364,998 |

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Current liabilities** | | | | |
| Trade payables | 3,429 | 3,483 | 1,041 | 2,618 |
| Bills payables | – | – | 15,000 | 14,400 |
| Accruals and other payables | 46,882 | 42,438 | 45,277 | 48,796 |
| Amounts due to fellow subsidiaries | 94,572 | 94 | 257 | 48 |
| Amount due to ultimate holding company | 239,870 | 100,000 | – | – |
| Dividend payable | – | – | – | 74,155 |
| Derivative financial liabilities | 9,081 | 8,129 | – | – |
| Interest-bearing bank and other borrowings | 2,640,758 | 2,945,497 | 2,399,209 | 4,182,490 |
| Bond payable | 413,119 | 632,405 | 280,312 | – |
| Lease liabilities | 6,823 | 2,416 | 4,664 | 6,122 |
| Tax payable | 28,345 | 3,304 | – | – |
| | 3,482,879 | 3,737,766 | 2,745,760 | 4,328,629 |
| **Net current assets** | 1,976,692 | 1,406,839 | 2,734,145 | 2,036,369 |
| **Total assets less current liabilities** | 4,065,884 | 3,419,100 | 5,228,817 | 4,654,504 |
| **Non-current liabilities** | | | | |
| Interest-bearing bank and other borrowings | 2,347,957 | 1,660,433 | 3,271,748 | 2,801,298 |
| Bond payable | 588,301 | 277,407 | – | – |
| Lease liabilities | 2,416 | – | 9,915 | 8,757 |
| Other tax payable | 11,365 | 11,278 | 16,867 | 30,188 |
| | 2,950,039 | 1,949,118 | 3,298,530 | 2,840,243 |
| **Net assets** | 1,115,845 | 1,469,982 | 1,930,287 | 1,814,261 |
| **EQUITY** | | | | |
| Share capital | 1,000,000 | 1,300,000 | 1,800,000 | 1,800,000 |
| Reserves | 115,845 | 169,982 | 130,287 | 14,261 |
| **Total equity** | 1,115,845 | 1,469,982 | 1,930,287 | 1,814,261 |

## (C) UNAUDITED STATEMENTS OF CHANGES IN EQUITY OF SCFL

| | Share capital<br>*RMB'000*<br>(Unaudited) | Capital reserve<br>*RMB'000*<br>(Unaudited) | Statutory reserve<br>*RMB'000*<br>(Unaudited) | Accumulated losses<br>*RMB'000*<br>(Unaudited) | Total equity<br>*RMB'000*<br>(Unaudited) |
|---|---|---|---|---|---|
| **At 1 January 2022** | 1,000,000 | 165 | 17,349 | 64,933 | 1,082,447 |
| Profit and total comprehensive income for the year | – | – | – | 33,398 | 33,398 |
| Appropriation statutory reserve | – | – | 3,340 | (3,340) | – |
| **At 31 December 2022 and 1 January 2023** | 1,000,000 | 165 | 20,689 | 94,991 | 1,115,845 |
| Issue of share capital | 300,000 | – | – | – | 300,000 |
| Profit and total comprehensive income for the year | – | – | – | 54,137 | 54,137 |
| Appropriation statutory reserve | – | – | 5,413 | (5,413) | – |
| **At 31 December 2023 and 1 January 2024** | 1,300,000 | 165 | 26,102 | 143,715 | 1,469,982 |
| Issue of share capital | 500,000 | – | – | – | 500,000 |
| Profit and total comprehensive income for the year | – | – | – | 55,297 | 55,297 |
| Appropriation statutory reserve | – | – | 5,530 | (5,530) | – |
| Dividend paid | – | – | – | (94,992) | (94,992) |
| **At 31 December 2024** | 1,800,000 | 165 | 31,632 | 98,490 | 1,930,287 |
| **At 1 January 2024** | 1,300,000 | 165 | 26,102 | 143,715 | 1,469,982 |
| Profit and total comprehensive income for the period | – | – | – | 38,280 | 38,280 |
| Dividend paid | – | – | – | (87,994) | (87,994) |
| **At 30 June 2024** | 1,300,000 | 165 | 26,102 | 94,001 | 1,420,268 |
| **At 1 January 2025** | 1,800,000 | 165 | 31,632 | 98,490 | 1,930,287 |
| Loss and total comprehensive expenses for the period | – | – | – | (17,536) | (17,536) |
| Dividend paid | – | – | – | (98,490) | (98,490) |
| **At 30 June 2025** | 1,800,000 | 165 | 31,632 | (17,536) | 1,814,261 |

## (D) UNAUDITED STATEMENTS OF CASH FLOWS OF SCFL

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| **Profit/(Loss) before tax** | 42,242 | 70,801 | 74,637 | 51,679 | (20,150) |
| Adjustment for: | | | | | |
| Bank interest income | 3,499 | 2,481 | 1,871 | 974 | 797 |
| Government subsidy | (6,637) | (9,761) | (1,020) | (25) | (16) |
| Finance costs | 64,572 | 73,413 | 64,855 | 57,014 | 44,073 |
| Depreciation of property, plant and equipment | 459 | 495 | 463 | 237 | 224 |
| Depreciation of right-of-use assets | 3,529 | 3,529 | 3,133 | 1,764 | 1,291 |
| Write off of property, plant and equipment | 361 | – | – | – | – |
| Amortisation of intangible assets | 300 | 394 | 459 | 202 | 530 |
| Share of result of associates | (7,890) | (5,002) | (506) | – | 323 |
| Provision/(Reversal of provision) for ECL of finance lease receivables and other receivables | 165,843 | 41,608 | 8,122 | (7,660) | 15,297 |
| Loss on disposal of property, plant and equipment | – | – | – | – | 7 |
| Loss arising from financial assets at FVTPL | 1,399 | 6,764 | 5,893 | 1,011 | 1,299 |
| Net loss/(gain) arising from derivative financial assets/liabilities | 9,081 | (952) | (15,242) | – | 3,824 |
| **Operating profit before working capital changes** | 276,758 | 183,770 | 142,665 | 105,196 | 47,499 |
| Changes in finance lease receivable | (1,423,768) | 907,810 | (676,351) | (419,657) | (316,887) |
| Changes in prepayment, deposits and other receivables | 2,044 | (6,955) | (7,076) | (29,104) | (5,813) |
| Changes in trade payables | 354 | 54 | (2,442) | (991) | 1,577 |
| Changes in other payables and accruals | 1,386 | (4,444) | 2,839 | 93 | 3,519 |
| Changes in other tax payable | (8,900) | (87) | 5,589 | 5,736 | 13,321 |
| Changes in bills payable | – | – | 15,000 | – | (600) |
| **Cash (used in)/generated from operations** | (1,152,126) | 1,080,148 | (519,776) | (338,727) | (257,384) |
| Income taxes paid | (69,554) | (45,122) | (19,064) | (16,703) | (3,355) |
| **Net cash (used in)/generated from operating activities** | (1,221,680) | 1,035,026 | (538,840) | (355,430) | (260,739) |

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2024 | 2025 |
| | *RMB'000* (Unaudited) | *RMB'000* (Unaudited) | *RMB'000* (Unaudited) | *RMB'000* (Unaudited) | *RMB'000* (Unaudited) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Investment in associates | (105,000) | – | (48,523) | – | (490) |
| Dividends received from associates | – | 3,500 | – | – | – |
| Purchase of property, plant and equipment | (237) | (377) | (10) | (10) | (5) |
| Purchase of intangible assets | (132) | (886) | (3,376) | (262) | – |
| Interest received | (3,499) | (2,481) | (1,871) | (974) | (797) |
| **Net cash (used in)/generated from investing activities** | (108,868) | (244) | (53,780) | (1,246) | (1,292) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Issue of bonds | 610,000 | – | – | – | – |
| Proceeds from issuance of ordinary shares | – | 300,000 | 500,000 | – | – |
| Repayment of borrowings | (1,476,098) | (1,936,445) | (1,689,363) | (525,748) | (345,988) |
| Proceeds from borrowings | 2,664,885 | 1,533,185 | 2,716,909 | 1,156,339 | 1,658,819 |
| Repayment of bond | (4,959) | (91,608) | (615,000) | (615,000) | (280,000) |
| Payment of lease liabilities | (1,254) | (6,823) | (744) | (1,016) | – |
| Net repayment of amount from/to the ultimate holding company | (130,130) | (139,870) | (1,009,047) | (100,000) | (299,277) |
| Net proceed from/(repayment of) amounts from/to fellow subsidies | 94,379 | (512,739) | 272,927 | 157,042 | 17,092 |
| Purchases of financial assets at FVTPL | (86,500) | (124,500) | (103,251) | (59,592) | (36,072) |
| Proceeds from disposal of financial assets at FVTPL | 23,181 | 107,057 | 108,299 | 13,681 | 20,901 |
| Government subsidy received | 6,637 | 9,761 | 1,020 | 25 | 16 |
| Changes in restricted bank deposit | (286,345) | 182,493 | 61,870 | 115,616 | (112,352) |
| Dividends paid | – | – | (94,992) | (11,433) | (24,335) |
| Interest paid | (42,497) | (52,938) | (41,874) | (52,983) | (44,085) |
| **Net cash from/(used in) financing activities** | 1,371,299 | (732,427) | 106,754 | 76,931 | 554,719 |
| **Net increase/(decrease) in cash and cash equivalents** | 40,751 | 302,355 | (485,866) | (279,745) | 292,688 |
| **Cash and cash equivalents at beginning of year/period** | 485,366 | 526,117 | 828,472 | 828,472 | 342,606 |
| **Cash and cash equivalents at end of year/period** | 526,117 | 828,472 | 342,606 | 548,727 | 635,294 |

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF SCFL

*As at 30 June 2025*

### 1 GENERAL INFORMATION

SCFL is a company incorporated in the PRC with limited liability and principally engaging in finance leasing.

The immediate and ultimate parent company of SCFL is Science City (Guangzhou) Investment Group Co., Ltd., a limited liability company incorporated and domiciled in the PRC.

### 2 BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION OF SCFL

The Unaudited Financial Information of SCFL for the Relevant Periods have been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in this circular issued by the Company.

The amounts included in the Unaudited Financial Information of SCFL have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the each of the Relevant Periods, which conform with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) as issued by the HKICPA.

The Unaudited Financial Information has been prepared under the historical cost convention except for certain financial assets and liabilities which are stated at fair values. The Unaudited Financial Information is presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated. The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in HKAS 1 "Presentation of Financial Statements" nor an interim report as defined in HKAS 34 "Interim Financial Reporting".

## FINANCIAL INFORMATION OF HENGCHENG

### Unaudited Financial Information of Guangdong Hengcheng Furniture Co., Ltd. ("Hengcheng")

Set out below are the unaudited statements of financial position of Hengcheng as at 31 December 2022, 2023 and 2024 and 30 June 2025, and the unaudited statements of profit or loss and other comprehensive income, unaudited statements of changes in equity and unaudited statements of cash flows of Hengcheng for each of the years ended 31 December 2022, 2023 and 2024 and the six months ended 30 June 2025 and 2024 (the "Relevant Periods"), and certain explanatory notes (collectively referred to as the "Unaudited Financial Information of Hengcheng").

The Unaudited Financial Information of Hengcheng has been prepared on the basis set out in note 2 to the Unaudited Financial Information and prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The Unaudited Financial Information is prepared by the Directors solely for the purpose of inclusion in this circular.

Grant Thornton Hong Kong Limited (the "Reporting Accountant") was engaged to review the Unaudited Financial Information of Hengcheng set out on pages IIB-2 to IIB-8 Appendix IIB of this circular in accordance with Hong Kong Standard on Review Engagements 2400 (Revised) "Engagements to Review Historical Financial Statements" and with reference to Practice Note 750 "Review of Financial Information under the Hong Kong Listing Rules for a Very Substantial Disposal" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA and consequently does not enable the Reporting Accountant to obtain assurance that the Reporting Accountant would become aware of all significant matters that might be identified in an audit. Accordingly, the Reporting Accountant does not express an audit opinion.

Based on the review on the Unaudited Financial Information of Hengcheng, nothing has come to the Reporting Accountant's attention that causes them to believe that the Unaudited Financial Information is not prepared, in all material respects, in accordance with the basis of preparation set out in note 2 to the Unaudited Financial Information.

## (A) UNAUDITED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF HENGCHENG

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2022** | **2023** | **2024** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Revenue** | 86,784 | 40,357 | 28,050 | 13,027 | 14,814 |
| Cost of sales | (67,366) | (41,368) | (32,128) | (14,379) | (13,083) |
| **Gross profit/(loss)** | 19,418 | (1,011) | (4,078) | (1,352) | 1,731 |
| Other income and gains | 1,085 | 4,172 | 8,511 | 2,492 | 1,283 |
| Selling and distribution expenses | (22) | (147) | (415) | (328) | (59) |
| Administrative expenses | (2,127) | (3,500) | (1,881) | (386) | (803) |
| Reversal of provision/(Provision) for expected credit loss allowance of other receivables | 24 | 46 | (12) | – | 9 |
| Other expenses | (3) | (2,904) | (1,029) | – | – |
| Finance costs | (6,689) | (17,005) | (10,654) | (6,996) | (2,170) |
| **Profit/(Loss) before tax** | 11,686 | (20,349) | (9,558) | (6,570) | (9) |
| Income tax (expense)/credit | (2,709) | 5,038 | 2,388 | – | (4,847) |
| **Profit/(Loss) and total comprehensive income/(expense) for the year/period** | 8,977 | (15,311) | (7,170) | (6,570) | (4,856) |

## (B) UNAUDITED STATEMENTS OF FINANCIAL POSITION OF HENGCHENG

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **ASSETS AND LIABILITIES** | | | | |
| **Non-current assets** | | | | |
| Property, Plant and equipment | 73,172 | 90,391 | 89,897 | 88,650 |
| Right-of-use assets | 30,611 | 29,961 | 29,311 | 28,986 |
| Deferred tax assets | – | 5,074 | 7,462 | 2,615 |
| Prepayments | – | 5,727 | 5,849 | – |
| | 103,783 | 131,153 | 132,519 | 120,251 |
| **Current assets** | | | | |
| Inventories | – | 6,106 | 5,811 | 6,407 |
| Trade receivables | 379 | – | – | – |
| Prepayments, deposits and other receivables | 509 | 464 | 1,192 | 1,702 |
| Amounts due from group companies | 201,586 | 299,072 | 240,234 | 247,115 |
| Cash and cash equivalents | 4,972 | 358 | 1,478 | 10,183 |
| | 207,446 | 306,000 | 248,715 | 265,407 |
| **Current liabilities** | | | | |
| Trade payables | 23,526 | 17,832 | 11,259 | 7,774 |
| Other payables and accruals | 32,455 | 1,120 | 971 | 1,089 |
| Interest-bearing bank and other borrowings | 25,525 | 197,923 | 31,923 | 45,220 |
| Amounts due to group companies | 60,658 | 164,432 | 318,180 | 270,888 |
| Tax payable | 1,856 | – | – | – |
| | 144,020 | 381,307 | 362,333 | 324,971 |
| **Net current assets/(liabilities)** | 63,426 | (75,307) | (113,618) | (59,564) |
| **Total assets less current liabilities** | 167,209 | 55,846 | 18,901 | 60,687 |

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| | 2022 | 2023 | 2024 | 2025 |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **Non-current liabilities** | | | | |
| Interest-bearing bank and other borrowings | 127,975 | 31,923 | – | 46,680 |
| Deferred government grant | – | – | 2,148 | 2,110 |
| | 127,975 | 31,923 | 2,148 | 48,790 |
| **Net assets** | 39,234 | 23,923 | 16,753 | 11,897 |
| **EQUITY** | | | | |
| Share capital | 32,000 | 32,000 | 32,000 | 32,000 |
| Reserves | 7,234 | (8,077) | (15,247) | (20,103) |
| **Total equity** | 39,234 | 23,923 | 16,753 | 11,897 |

## (C) UNAUDITED STATEMENTS OF CHANGES IN EQUITY OF HENGCHENG

| | Share capital<br>*RMB'000*<br>(Unaudited) | Statutory reserve<br>*RMB'000*<br>(Unaudited) | Accumulated losses<br>*RMB'000*<br>(Unaudited) | Total equity<br>*RMB'000*<br>(Unaudited) |
|---|---|---|---|---|
| **At 1 January 2022** | 32,000 | 723 | (2,466) | 30,257 |
| Profit and total comprehensive income for the year | – | – | 8,977 | 8,977 |
| **At 31 December 2022 and 1 January 2023** | 32,000 | 723 | 6,511 | 39,234 |
| Loss and total comprehensive expense for the year | – | – | (15,311) | (15,311) |
| **At 31 December 2023 and 1 January 2024** | 32,000 | 723 | (8,800) | 23,923 |
| Loss and total comprehensive expense for the year | – | – | (7,170) | (7,170) |
| **At 31 December 2024** | 32,000 | 723 | (15,970) | 16,753 |
| **At 1 January 2024** | 32,000 | 723 | (8,800) | 23,923 |
| Loss and total comprehensive expense for the period | – | – | (6,570) | (6,570) |
| **At 30 June 2024** | 32,000 | 723 | (15,370) | 17,353 |
| **At 1 January 2025** | 32,000 | 723 | (15,970) | 16,753 |
| Loss and total comprehensive expense for the period | – | – | (4,856) | (4,856) |
| **At 30 June 2025** | 32,000 | 723 | (20,826) | 11,897 |

## (D) UNAUDITED STATEMENTS OF CASH FLOWS OF HENGCHENG

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2022** | **2023** | **2024** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| **Profit/(Loss) before tax** | 11,686 | (20,349) | (9,558) | (6,570) | (9) |
| Adjustment for: | | | | | |
| Bank interest income | (7) | (4) | (2) | (2) | – |
| Government grant | – | – | (415) | – | (38) |
| Finance costs | 6,689 | 17,005 | 10,654 | 6,996 | 2,170 |
| Depreciation of property, plant and equipment | 831 | 3,187 | 3,596 | 1,798 | 1,800 |
| Depreciation of right-of-use assets | 640 | 650 | 650 | 325 | 325 |
| Write-down of inventories to net realisable value | – | 2,825 | 863 | – | – |
| (Reversal of provision)/Provision for ECL of other receivables | (24) | (46) | 12 | – | (9) |
| **Operating profit before working capital changes** | 19,815 | 3,268 | 5,800 | 2,547 | 4,239 |
| Changes in inventories | – | (8,931) | (568) | (909) | (596) |
| Changes in trade receivables | 3,754 | 379 | – | – | – |
| Changes in prepayment, deposits and other receivables | 13,374 | (5,636) | (862) | (1,445) | (501) |
| Changes in trade payables | 9,637 | (5,694) | (6,573) | (3,751) | (3,485) |
| Changes in other payables and accruals | 32,378 | (31,335) | (149) | 11 | 118 |
| Changes in amount due from/to group companies | (115,043) | 6,288 | 209,494 | 93,409 | (54,173) |
| **Cash generated from/(used in) operations** | (36,085) | (41,661) | 207,142 | 89,862 | (54,398) |
| Income taxes paid | (853) | (1,892) | – | – | – |
| **Net cash generated from/(used in) operating activities** | (36,938) | (43,553) | 207,142 | 89,862 | (54,398) |

| | Year ended 31 December | | | Six months ended 30 June | |
|---|---|---|---|---|---|
| | **2022** | **2023** | **2024** | **2024** | **2025** |
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) | (Unaudited) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Interest received | 7 | 4 | 2 | 2 | – |
| Purchase of property, plant and equipment | (28,081) | (20,406) | (10) | (2,009) | (553) |
| **Net cash used in investing activities** | (28,074) | (20,402) | (8) | (2,007) | (553) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Proceeds from borrowings | 82,600 | 143,000 | 7,588 | – | 90,000 |
| Repayment of borrowings | (16,224) | (66,654) | (205,511) | (81,113) | (24,174) |
| Government grant received | – | – | 2,563 | – | – |
| Interest paid | (6,689) | (17,005) | (10,654) | (6,996) | (2,170) |
| **Net cash /(used in) generated from financing activities** | 59,687 | 59,341 | (206,014) | (88,109) | 63,656 |
| **Net (decrease)/increase in cash and cash equivalents** | (5,325) | (4,614) | 1,120 | (254) | 8,705 |
| **Cash and cash equivalents at beginning of year/period** | 10,297 | 4,972 | 358 | 358 | 1,478 |
| **Cash and cash equivalents at end of year/period** | 4,972 | 358 | 1,478 | 104 | 10,183 |

## NOTES TO THE UNAUDITED FINANCIAL INFORMATION OF HENGCHENG

*As at 30 June 2025*

### 1 GENERAL INFORMATION

Hengcheng is a company incorporated in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company principally engaging in manufacturing and sale of sofa.

### 2 BASIS OF PREPARATION OF THE UNAUDITED FINANCIAL INFORMATION OF HENGCHENG

The Unaudited Financial Information of Hengcheng for the Relevant Periods have been prepared in accordance with paragraph 14.68(2)(a)(i)(A) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, and solely for the purposes of inclusion in this circular issued by the Company.

In preparing the Unaudited Financial Information of Hengcheng, the directors of the Company have given consideration to the future liquidity of Hengcheng in light of its net loss of RMB9,000 during the six months ended 30 June 2025 and, as of that date, Hengcheng had net current liabilities of RMB59,564,000. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on Hengcheng's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. The Unaudited Financial Information of Hengcheng have been prepared on the assumption that Hengcheng will continue to operate as a going concern notwithstanding the conditions prevailing at 30 June 2025 and subsequently thereto up to the date of approval of these Unaudited Financial Information of Hengcheng. The going concern basis has been adopted on the basis that the ultimate holding company will continue to provide Hengcheng with the necessary financial support to meet Hengcheng's liabilities and commitments as and when they fall due. The Unaudited Financial Information of Hengcheng do not include any adjustments that would result from a failure of Hengcheng to operate as a going concern.

Should Hengcheng be unable to continue its business as a going concern, adjustments would have to be made in the Unaudited Financial Information of Hengcheng to restate the value of asset to its recoverable amount, to reclassify non-current asset as current asset and to provide for any further liabilities which might arise. The effect of these potential adjustments has not been reflected in the Unaudited Financial Information of Hengcheng.

The amounts included in the Unaudited Financial Information of Hengcheng have been recognised and measured in accordance with the relevant accounting policies of the Company adopted in the preparation of the consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the each of the Relevant Periods, which conform with HKFRS Accounting Standards (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations) as issued by the HKICPA.

The Unaudited Financial Information has been prepared under the historical cost convention. The Unaudited Financial Information is presented in Renminbi ("RMB"), and all values are rounded to the nearest thousand ("RMB'000") except when otherwise indicated. The Unaudited Financial Information does not contain sufficient information to constitute a complete set of financial statements as defined in HKAS 1 "Presentation of Financial Statements" nor an interim report as defined in HKAS 34 "Interim Financial Reporting".

## A. INTRODUCTION TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

The following is the unaudited pro forma financial information of Royale Home Holdings Limited (the "Company") and its subsidiaries (together, the "Group") consisting of the unaudited pro forma consolidated statement of financial position as at 30 June 2025, and the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2024 and related notes (collectively, the "Unaudited Pro Forma Financial Information").

The Unaudited Pro Forma Financial Information of the Remaining Group has been prepared by the Directors in accordance with paragraph 4.29 of Listing Rules and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), for the purposes of illustrating the effect of the proposed disposal of Guangdong Hengcheng Furniture Co., Ltd. ("Hengcheng") and Science City (Guangzhou) Finance and Leasing Co., Ltd. ("SCFL") (collectively, the "Target Companies") by the Company (the "Proposed Transactions").

The Unaudited Pro Forma Financial Information presented below is prepared to illustrate (i) the financial position of the Remaining Group as at 30 June 2025 as if the Proposed Transactions had been completed on 30 June 2025; and (ii) the financial performance and cash flows of the Remaining Group for the year ended 31 December 2024 as if the Proposed Transactions had been completed on 1 January 2024.

The Unaudited Pro Forma Financial Information of the Remaining Group is prepared based on (i) the Group's unaudited condensed consolidated statement of financial position as at 30 June 2025 as extracted from the Company's published interim report for six months ended 30 June 2025 dated 27 August 2025; and (ii) the consolidated statement of profit or loss, the consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year ended 31 December 2024 as extracted from the audited consolidated financial statements of the Group for the year then ended as set out in the 2024 annual report of the Company, and the financial information, after taking into account the pro forma adjustments relating to the Proposed Transactions described in the notes to the Unaudited Pro Forma Financial Information.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and is based on certain assumptions, estimates and current available information. Accordingly, because of its hypothetical nature, it may not give a true picture of the financial results, cash flows and financial position of the Remaining Group had the Proposed Transactions been completed as at the specified dates or any other dates.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the published annual report of the Company for the year ended 31 December 2024, the published interim report of the Group for the six months ended 30 June 2025 and other financial information included elsewhere in this Circular.

## B. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

| | The Group as at 30 June 2025 | Pro forma adjustments | | | The Remaining Group as at 30 June 2025 |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 1* | *Note 2a* | *Note 2b* | *Note 2c* | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 693,713 | (77,215) | | | 616,498 |
| Investment properties | 601,178 | | | | 601,178 |
| Intangible assets | 1,858 | | | | 1,858 |
| Right-of-use assets | 251,492 | (28,986) | | | 222,506 |
| Goodwill | 25,052 | | | | 25,052 |
| Investment in associates | 1,118,833 | | (341,244) | | 777,589 |
| Deferred tax assets | 88,284 | (1,689) | | | 86,595 |
| Prepayments | 88,075 | | | | 88,075 |
| Restricted cash | 6,927 | | | | 6,927 |
| | 2,875,412 | | | | 2,426,278 |
| **Current assets** | | | | | |
| Inventories | 277,976 | | | | 277,976 |
| Trade receivables | 209,034 | | | | 209,034 |
| Prepayments, deposits and other receivables | 360,543 | (1,361) | | | 359,182 |
| Contract assets | 1,778 | | | | 1,778 |
| Amounts due from associates | 1,131,040 | | | | 1,131,040 |
| Restricted cash | 5,031 | | | | 5,031 |
| Amounts due from Hengcheng | – | 104,135 | | | 104,135 |
| Cash and cash equivalents | 46,751 | (10,183) | | 418,595 | 455,163 |
| | 2,032,153 | | | | 2,543,339 |

| | The Group as at 30 June 2025 | Pro forma adjustments | | | The Remaining Group as at 30 June 2025 |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 1* | *Note 2a* | *Note 2b* | *Note 2c* | |
| **Current liabilities** | | | | | |
| Trade payables | 125,106 | | | | 125,106 |
| Other payables and accruals | 210,187 | (210) | | | 209,977 |
| Interest-bearing bank and other borrowings | 808,747 | (1,082) | | | 807,665 |
| Lease liabilities | 9,689 | | | | 9,689 |
| Loan from an associate | 18,124 | | | | 18,124 |
| Loan from the ultimate holding company | 1,539,224 | | | | 1,539,224 |
| Loan from the immediate holding company | 116,067 | | | | 116,067 |
| Loan from fellow subsidiaries | 55,762 | | | | 55,762 |
| Loan from non-controlling interests | 49,960 | | | | 49,960 |
| Tax payable | 77,088 | | | | 77,088 |
| | 3,009,954 | | | | 3,008,662 |
| **Net current liabilities** | (977,801) | | | | (465,323) |
| **Total assets less current liabilities** | 1,897,611 | | | | 1,960,955 |
| **Non-current liabilities** | | | | | |
| Medium term bonds | 41,168 | | | | 41,168 |
| Interest-bearing bank and other borrowings | 542,753 | | | | 542,753 |
| Lease liabilities | 15,390 | | | | 15,390 |
| Deferred tax liabilities | 106,436 | | | | 106,436 |
| Deferred government grants | 34,843 | (2,110) | | | 32,733 |
| | 740,590 | | | | 738,480 |
| **NET ASSETS** | 1,157,021 | | | | 1,222,475 |

| | The Group as at 30 June 2025 | Pro forma adjustments | | | The Remaining Group as at 30 June 2025 |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 1* | *Note 2a* | *Note 2b* | *Note 2c* | |
| **Capital and reserves** | | | | | |
| Share capital | 221,592 | | | | 221,592 |
| Reserves | 780,440 | (11,897) | (341,244) | 418,595 | 845,894 |
| Equity attributable to owners of the Company | 1,002,032 | | | | 1,067,486 |
| Non-controlling interests | 154,989 | | | | 154,989 |
| **TOTAL EQUITY** | 1,157,021 | | | | 1,222,475 |

## C. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS OF THE REMAINING GROUP

| | The Group for the year ended 31 December 2024 | Pro forma adjustments | | | The Remaining Group for the year ended 31 December 2024 |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 1* | *Note 3a* | *Note 3b* | *Note 3c* | |
| **Revenue** | 525,607 | | | | 525,607 |
| Cost of sales | (490,196) | 2,020 | | | (488,176) |
| **Gross profit** | 35,411 | | | | 37,431 |
| Other income and gains | 69,988 | (417) | | 13,588 | 83,159 |
| Selling and distribution expenses | (100,166) | | | | (100,166) |
| Administrative expenses | (128,942) | 650 | | | (128,292) |
| Provision for ECL allowance of trade and other receivables and contract assets | (70,115) | | | | (70,115) |
| Other expenses | (49,796) | | 9,861 | | (39,935) |
| Finance costs | (171,656) | 4,424 | | | (167,232) |
| Share of results of associates | (16,297) | | (13,926) | | (30,223) |
| **Loss before tax** | (431,573) | | | | (415,373) |
| Income tax credit | 83,267 | | | | 83,267 |
| **Loss for the year** | (348,306) | | | | (332,106) |
| **Loss for the year attributed to:** | | | | | |
| Owners of the Company | (334,391) | 6,677 | (4,065) | 13,588 | (318,191) |
| Non-controlling interest | (13,915) | | | | (13,915) |
| | (348,306) | | | | (332,106) |

## D. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE REMAINING GROUP

| | The Group for the year ended 31 December 2024 | Pro forma adjustments | | | The Remaining Group for the year ended 31 December 2024 |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 1* | *Note 3a* | *Note 3b* | *Note 3c* | |
| **Loss for the year** | (348,306) | | | | (332,106) |
| **Other comprehensive income** | | | | | |
| *Item that will be reclassified to profit or loss:* | | | | | |
| Exchange differences on translation of financial statements of foreign operations | 2,665 | | | | 2,665 |
| *Item that will not be reclassified to profit or loss:* | | | | | |
| Translation from functional currency to presentation currency | 1,170 | | | | 1,170 |
| Surplus on revaluation of properties held for own use | 5,461 | | | | 5,461 |
| Income tax relating to items that will not reclassified | (1,365) | | | | (1,365) |
| | 5,266 | | | | 5,266 |
| **Other comprehensive income for the year, net of tax** | 7,931 | | | | 7,931 |
| **Total comprehensive expense for the year** | (340,375) | | | | (324,175) |
| **Total comprehensive expense for the year attributed to:** | | | | | |
| Owners of the Company | (326,460) | 6,677 | (4,065) | 13,588 | (310,260) |
| Non-controlling interest | (13,915) | | | | (13,915) |
| | (340,375) | | | | (324,175) |

## E. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

| | The Group for the year ended 31 December 2024 | Pro forma adjustments | | | The Remaining Group for the year ended 31 December 2024 |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 1* | *Note 4a* | *Note 4b* | *Note 3c* | |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | | | |
| Loss before tax | (431,573) | 6,677 | (4,065) | 13,588 | (415,373) |
| Adjustments for: | | | | | |
| Bank interest income | (5,023) | 2 | | | (5,021) |
| Interest income from an associate | (42,503) | | | | (42,503) |
| Compensation income from controlling shareholder of an associate | (9,467) | | | | (9,467) |
| Government grants | (2,189) | 415 | | | (1,774) |
| Compensation from legal case | (4,000) | | | | (4,000) |
| Finance costs | 171,656 | (4,424) | | | 167,232 |
| Depreciation of property, plant and equipment | 45,162 | (2,020) | | | 43,142 |
| Written off of property, plant and equipment | 45,021 | | | | 45,021 |
| Gain arising from change in fair value of investment properties | (1,978) | | | | (1,978) |
| Depreciation of right-of-use assets | 21,672 | (650) | | | 21,022 |
| Amortisation of intangible assets | 463 | | | | 463 |
| Gain from derecognition of leases upon early termination | (2,790) | | | | (2,790) |
| Gain from proposed transactions | – | | | (13,588) | (13,588) |
| Share of results of associates | 16,297 | | 13,926 | | 30,223 |
| Write down to net realisable value for assets classified as held for sale | 4,647 | | | | 4,647 |
| Loss on deemed disposal of interest in an associate | 9,861 | | (9,861) | | – |
| Write-down of inventories to net realisable value | 31,049 | | | | 31,049 |
| Provision for ECL allowance of trade receivables | 59,627 | | | | 59,627 |
| Provision for ECL allowance of other receivables | 10,203 | | | | 10,203 |
| Provision of ECL allowance of contract assets | 285 | | | | 285 |

| | The Group for the year ended 31 December 2024 | Pro forma adjustments | | | The Remaining Group for the year ended 31 December 2024 |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 1* | *Note 4a* | *Note 4b* | *Note 3c* | |
| Operating cash flows before working capital changes | (83,580) | | | | (83,580) |
| Changes in inventories | (2) | | | | (2) |
| Changes in trade receivables | (55,269) | | | | (55,269) |
| Changes in prepayments, deposits and other receivables | (61,041) | 903 | | | (60,138) |
| Changes in contract assets | 2,134 | | | | 2,134 |
| Changes in trade payables | (14,863) | (291) | | | (15,154) |
| Changes in other payables and accruals | (25,119) | (42) | | | (25,161) |
| Cash used in operations | (237,740) | | | | (237,170) |
| Income taxes paid | (2,544) | | | | (2,544) |
| **Net cash used in operating activities** | (240,284) | | | | (239,714) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | | | |
| Interest received | 5,023 | (2) | | | 5,021 |
| Dividends received from associate | 22,940 | | (22,877) | | 63 |
| Purchase of property, plant and equipment | (329) | | | | (329) |
| Purchase of intangible assets | (1,819) | | | | (1,819) |
| Advance to an associate | (23,936) | | | | (23,936) |
| Net proceeds from proposed transactions | – | | | 418,595 | 418,595 |
| **Net cash from investing activities** | 1,879 | | | | 397,595 |

| | The Group for the year ended 31 December 2024 | Pro forma adjustments | | | The Remaining Group for the year ended 31 December 2024 |
|---|---|---|---|---|---|
| | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* | *RMB'000* |
| | *Note 1* | *Note 4a* | *Note 4b* | *Note 3c* | |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | | | |
| Proceeds from borrowings | 1,012,562 | | | | 1,012,562 |
| Repayment of borrowings | (1,711,886) | 54,158 | | | (1,657,728) |
| Payment of lease liabilities | (13,182) | | | | (13,182) |
| Proceeds from loan from the ultimate holding company | 845,769 | | | | 845,769 |
| Proceeds from loan from fellow subsidiaries | 54,000 | | | | 54,000 |
| Repayment of loan from an associate | (25,800) | | | | (25,800) |
| Repayment of loan from a director | (18,969) | | | | (18,969) |
| Proceeds from loan from the immediate holding company | 11,866 | | | | 11,866 |
| Government grants received | 4,362 | (2,563) | | | 1,799 |
| Interest paid | (158,578) | 4,424 | | | (154,154) |
| Changes in restricted bank deposits | 222,909 | | | | 222,909 |
| **Net cash from financing activities** | 223,053 | | | | 279,072 |
| **Net (decrease)/increase in cash and cash equivalents** | (15,352) | 56,587 | (22,877) | 418,595 | 436,953 |
| Effect of foreign exchange rate changes | 6,534 | | | | 6,534 |
| **CASH AND CASH EQUIVALENTS AT 1 JANUARY** | 29,270 | | | | 29,270 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | 20,452 | | | | 472,757 |

## F. NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

(1) For the purpose of preparation of the unaudited pro forma consolidated statement of financial position, the amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2025 as set out in the published interim report of the Group for the six months ended 30 June 2025, whereas for the purpose of preparation of the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and the unaudited pro forma consolidated statement of cash flows, the amounts are extracted from the consolidated statement of profit or loss, consolidated statement of comprehensive income and the consolidated statement of cash flows of the Group for the year ended 31 December 2024, respectively, as set out in the published annual report of the Group for the year ended 31 December 2024.

(2) The following pro forma adjustments have been made to the unaudited pro form consolidated statement of financial position, assuming the Proposed Transactions had taken place on 30 June 2025:

(a) The adjustment represents the adjustments on the disposal of the assets and liabilities from Hengcheng as at 30 June 2025, as if the Hengcheng Reorganisation had been completed on 30 June 2025.

The assets and liabilities of Hengcheng as at 30 June 2025, have been extracted from the unaudited statement of financial position of Hengcheng as set forth in Appendix IIB to this circular, excluding the assets and liabilities of Hengcheng which are retained by the Remaining Group.

A reconciliation is shown below:

| | Assets and liabilities of Hengcheng | | |
|---|---|---|---|
| | **In Appendix IIB** *RMB'000* | **Retained by the Remaining Group** *RMB'000* *(Note)* | **To be disposed of** *RMB'000* |
| **Non-current assets** | | | |
| Property, plant and equipment | 88,650 | 11,435 | 77,215 |
| Right-of-use assets | 28,986 | – | 28,986 |
| Deferred tax assets | 2,615 | 926 | 1,689 |
| | 120,251 | 12,361 | 107,890 |
| **Current assets** | | | |
| Inventories | 6,407 | 6,407 | – |
| Prepayments, deposits and other receivables | 1,702 | 341 | 1,361 |
| Amounts due from group companies | 247,115 | 351,250 | – |
| – Hengcheng | 18,000 | 122,135 | – |
| – Other group companies | 229,115 | 229,115 | – |
| Cash and cash equivalents | 10,183 | – | 10,183 |
| | 265,407 | 357,998 | 11,544 |
| **Current liabilities** | | | |
| Trade payables | 7,774 | 7,774 | – |
| Other payables and accruals | 1,089 | 879 | 210 |
| Interest-bearing bank and other borrowings | 45,220 | 44,138 | 1,082 |
| Amounts due to group companies | 270,888 | 270,888 | 104,135 |
| | 324,971 | 323,679 | 105,427 |
| **Net current (liabilities)/assets** | (59,564) | 34,319 | (93,883) |
| **Total assets less current liabilities** | 60,687 | 46,680 | 14,007 |
| **Non-current liabilities** | | | |
| Interest-bearing bank and other borrowings | 46,680 | 46,680 | – |
| Deferred government grants | 2,110 | – | 2,110 |
| | 48,790 | 46,680 | 2,110 |
| **NET ASSETS** | 11,897 | – | 11,897 |
| **Capital and reserves** | | | |
| Share capital | 32,000 | – | 32,000 |
| Reserves | (20,103) | – | (20,103) |
| **TOTAL EQUITY** | 11,897 | – | 11,897 |

*Note:* As a condition precedent to the Hengcheng Completion, Hengcheng will undergo the Hengcheng Reorganisation, which is a process whereby Hengcheng Excluded Assets and Liabilities (i.e. assets and liabilities relating to the manufacturing and sale of furniture operations of Hengcheng) would be transferred out of Hengcheng to the Remaining Group, such that the remaining assets and liabilities within Hengcheng would be Hengcheng Target Assets and Liabilities (i.e. the Hengcheng Land and Constructions Interests and related and inseparable assets and liabilities), being the subject matter of the Hengcheng Disposal. It is estimated that the Hengcheng Reorganisation will give rise to the Net Reorganisation Obligations on the part of Hengcheng to pay the Remaining Group, which shall be settled in full by Hengcheng (funded by capital contribution(s) or shareholder's loan(s) to be made by SC Development to Hengcheng) within five (5) working days after the completion of the Transition Period Audit. As at 30 June 2025, the net liabilities value (i.e. the Net Reorganisation Obligations) after netting off Hengcheng Excluded Assets and Liabilities was approximately RMB122.14 million.

The Net Reorganisation Obligations of RMB122.14 million was recognised under "Amount due from Hengcheng".

(b) The adjustment represents the exclusion of the carrying amount of the Group's interest in SCFL, an associate of the Group, as at 30 June 2025, as if the Proposed Transactions had been completed on 30 June 2025.

(c) For the purpose of the unaudited pro forma consolidated statement of financial position of the Remaining Group, the adjustment represents (i) the estimated gross proceeds of RMB428,092,000 from the Proposed Transactions; (ii) the investment in an associate of RMB341,244,000; and (iii) the estimated gain on the disposal of the Target Companies as if the Proposed Transactions have taken place on 30 June 2025. Calculation of pro forma gain on the Proposed Transactions as at 30 June 2025 was as follows:

| | *Notes* | *RMB'000* |
|---|---|---|
| Proceeds of the disposal of SCFL | | 416,753 |
| Proceeds of the disposal of Hengcheng | | 11,339 |
| Gross proceeds of the Proposed Transactions | | 428,092 |
| Less: Estimated transaction costs directly attributable to the Proposed Transactions | (i) | (1,808) |
| Less: Estimated tax in relation to the Proposed Transactions | (ii) | (7,689) |
| Net cash receipt from the Proposed Transactions | | 418,595 |
| Net assets of Hengcheng derecognised | 2(a) | (11,897) |
| The carrying amount of investment in an associate | (iii) | (341,244) |
| Estimated gain on disposal as if the Proposed Transactions had been completed on 30 June 2025 | | 65,454 |

*Notes:*

(i) The transaction costs represent professional fee directly attributable to the disposal of the Target Companies which are estimated to be approximately RMB1,808,000 and it is assumed that the fees would be settled by cash.

(ii) The amount represents the estimated tax expenses of RMB7,689,000 from gain on Proposed Transactions.

(iii) The amount represents the Group's interest in SCFL of RMB341,244,000 as at 30 June 2025.

(3) The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of comprehensive income, assuming the Proposed Transactions had taken place on 1 January 2024:

(a) The adjustment represents the exclusion of the operating results of Hengcheng for the year ended 31 December 2024, as if the Proposed Transactions had been completed on 1 January 2024.

The unaudited statement of profit or loss and the unaudited statement of comprehensive income of Hengcheng for the year ended 31 December 2024 as set forth in Appendix IIB to this circular, excluding the operating results arising from the assets and liabilities of Hengcheng which are retained by the Remaining Group.

A reconciliation is shown below:

| | **Profit and loss of Hengcheng** | | |
|---|---|---|---|
| | **In Appendix IIB** *RMB'000* | **Retained by the Remaining Group** *RMB'000* *Note (i)* | **To be disposed of** *RMB'000* *Note (ii)* |
| **Revenue** | 28,050 | 28,050 | – |
| Cost of goods sold | (32,128) | (30,108) | (2,020) |
| **Gross loss** | (4,078) | (2,058) | (2,020) |
| Other income and gains | 8,511 | 8,094 | 417 |
| Selling and distribution expenses | (415) | (415) | – |
| Administrative expenses | (1,881) | (1,231) | (650) |
| Provision for ECL allowance of trade and other receivables and contract assets | (12) | (12) | – |
| Other expenses | (1,029) | (1,029) | – |
| Finance costs | (10,654) | (6,230) | (4,424) |
| **Loss before tax** | (9,558) | (2,881) | (6,677) |
| Income tax credit | 2,388 | 2,388 | – |
| **Loss for the year** | (7,170) | (493) | (6,677) |
| **Loss for the year attributed to:** | | | |
| Owners of the Company | (7,170) | (493) | (6,677) |
| Non-controlling interest | – | – | – |
| | (7,170) | (493) | (6,677) |

*Notes:*

(i) These profit and loss items were transacted during the year ended 31 December 2024 and were derived from manufacturing and sale of furniture operations of Hengcheng and the assets and liabilities of Hengcheng retained by the Remaining Group.

(ii) These profit and loss items during the year ended 31 December 2024 were derived from Hengcheng Target Assets and liabilities including (1) amortisation expenses of land and depreciation expenses of building amounted to RMB2,020,000 in cost of goods sold, (2) interest income from bank and government grants amounted to RMB417,000, (3) amortisation expenses of idle land amounted to RMB650,000 and (4) finance costs of other borrowings in disposed liabilities amounted to RMB4,424,000.

(b) The adjustment represents the exclusion of (1) a loss of RMB9,861,000 on the deemed disposal of the Group's interest in SCFL, as its equity interest was diluted from 25.00% to 18.06% due to a capital injection by an existing shareholder during the year ended 31 December 2024, and (2) the share of post-acquisition profits and other comprehensive income of RMB13,926,000. This adjustment assumes that the Proposed Transactions occurred on 1 January 2024, with SCFL ceasing to be an associate of the Group from that date.

(c) For the purpose of the unaudited pro forma consolidated statement of profit or loss and the unaudited pro forma consolidated statement of comprehensive income of the Remaining Group, the adjustment represents the estimated gain on the disposal of the Target Companies as if the Proposed Transactions had been completed on 1 January 2024. Calculation of pro forma gain on the disposal as at 1 January 2024 was as follows:

| | *Notes* | *RMB'000* |
|---|---|---|
| Proceeds of the disposal of SCFL | | 416,753 |
| Proceeds of the disposal of Hengcheng | | 11,339 |
| Gross proceeds of the Proposed Transactions | | 428,092 |
| Less: Estimated transaction costs directly attributable to the Proposed Transactions | 2(c)(i) | (1,808) |
| Less: Estimated tax in relation to the Proposed Transactions | 2(c)(ii) | (7,689) |
| | | 418,595 |
| Net assets of Hengcheng derecognised | (i) | (23,923) |
| The carrying amount of investments in an associate | (ii) | (381,084) |
| Estimated gain on disposal as if the Proposed Transactions had been completed on 1 January 2024 | | 13,588 |

*Notes:*

(i) The net assets of Hengcheng as at 31 December 2023, have been extracted from the unaudited statement of financial position of Hengcheng as set forth in Appendix IIB to this circular, excluding the assets and liabilities of Hengcheng which are retained by the Remaining Group.

A reconciliation is shown below:

| | Assets and liabilities of Hengcheng | | |
|---|---|---|---|
| | **In Appendix IIB** *RMB'000* | **Retained by the Remaining Group** *RMB'000* *(Note)* | **To be disposed of** *RMB'000* |
| **Non-current assets** | | | |
| Property, plant and equipment | 90,391 | 13,384 | 77,007 |
| Right-of-use assets | 29,961 | – | 29,961 |
| Deferred tax assets | 5,074 | 707 | 4,367 |
| Prepayments | 5,727 | – | 5,727 |
| | 131,153 | 14,091 | 117,062 |
| **Current assets** | | | |
| Inventories | 6,106 | 6,106 | – |
| Prepayments, deposits and other receivables | 464 | 333 | 131 |
| Amounts due from group companies | 299,072 | 281,072 | – |
| – Hengcheng | 18,000 | 103,001 | – |
| – Other group companies | 281,072 | 178,071 | – |
| Cash and cash equivalents | 358 | – | 358 |
| | 306,000 | 287,511 | 489 |
| **Current liabilities** | | | |
| Trade payables | 17,832 | 14,992 | 2,840 |
| Other payables and accruals | 1,120 | 1,060 | 60 |
| Interest-bearing bank and other borrowings | 197,923 | 139,341 | 58,582 |
| Amounts due to group companies | 164,432 | 146,209 | 223 |
| | 381,307 | 301,602 | 61,705 |
| **Net current liabilities** | (75,307) | (14,091) | (61,216) |
| **Total assets less current liabilities** | 55,846 | – | 55,846 |

| | Assets and liabilities of Hengcheng | | |
|---|---|---|---|
| | **In Appendix IIB** *RMB'000* | **Retained by the Remaining Group** *RMB'000* *(Note)* | **To be disposed of** *RMB'000* |
| **Non-current liabilities** | | | |
| Interest-bearing bank and other borrowings | 31,923 | – | 31,923 |
| **NET ASSETS** | 23,923 | – | 23,923 |
| **Capital and reserves** | | | |
| Share capital | 32,000 | – | 32,000 |
| Reserves | (8,077) | – | (8,077) |
| **TOTAL EQUITY** | 23,923 | – | 23,923 |

*Note:* As at 31 December 2023, the net liabilities value (i.e. the Net Reorganisation Obligations) after netting off Hengcheng Excluded Assets and Liabilities was approximately RMB103.00 million.

The Net Reorganisation Obligations of RMB103.00 million was recognised under "Amount due from Hengcheng".

(ii) The amount represents the Group's interest in SCFL of RMB381,084,000 as at 31 December 2023.

(4) The following pro forma adjustments have been made to the unaudited pro forma consolidated statement of cash flows, assuming the Proposed Transactions had taken place on 1 January 2024:

(a) The adjustment represents the exclusion of the cash flows of Hengcheng for the year ended 31 December 2024, as if the Proposed Transactions had been completed on 1 January 2024.

The unaudited statement of cash flows of Hengcheng for the year ended 31 December 2024 as set forth in Appendix IIB to this Circular, excluding the operating results arising from the cash flows of Hengcheng which are retained by the Remaining Group.

A reconciliation is shown below:

| | Cash flow of Hengcheng | | |
|---|---|---|---|
| | **In Appendix IIB** *RMB'000* | **Retained by the Remaining Group** *RMB'000* *(Note (i))* | **To be disposed of** *RMB'000* *(Note (ii))* |
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Loss before tax | (9,558) | (2,881) | (6,677) |
| Adjustments for: | | | |
| Bank interest income | (2) | – | (2) |
| Government grants | (415) | – | (415) |
| Finance costs | 10,654 | 6,230 | 4,424 |
| Depreciation of property, plant and equipment | 3,596 | 1,576 | 2,020 |
| Depreciation of right-of-use assets | 650 | – | 650 |
| Write-down of inventories to net realisable value | 863 | 863 | – |
| Provision for ECL allowance of other receivables | 12 | 12 | – |
| Operating cash flows before working capital changes | 5,800 | 5,800 | – |
| Changes in inventories | (568) | (568) | – |
| Changes in prepayments, deposits and other receivables | (862) | 41 | (903) |
| Changes in trade payables | (6,573) | (6,864) | 291 |
| Changes in other payables and accruals | (149) | (191) | 42 |
| Changes in amount due from/to group companies | 209,494 | 209,494 | – |
| Cash generated from/(used in) operations | 207,142 | 207,712 | (570) |
| Income taxes paid | – | – | – |
| **Net cash generated from/(used in) operating activities** | 207,142 | 207,712 | (570) |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | 2 | – | 2 |
| Purchase of property, plant and equipment | (10) | (10) | – |
| **Net cash (used in)/generated from from investing activities** | (8) | (10) | 2 |

| | Cash flow of Hengcheng | | |
|---|---|---|---|
| | In Appendix IIB | Retained by the Remaining Group | To be disposed of |
| | *RMB'000* | *RMB'000* *(Note (i))* | *RMB'000* *(Note (ii))* |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Proceeds from borrowings | 7,588 | 7,588 | – |
| Repayment of borrowings | (205,511) | (151,353) | (54,158) |
| Government grants received | 2,563 | – | 2,563 |
| Interest paid | (10,654) | (6,230) | (4,424) |
| **Net cash used in financing activities** | (206,014) | (149,995) | (56,019) |
| **Net increase/(decrease) in cash and cash equivalents** | 1,120 | 57,707 | (56,587) |
| **CASH AND CASH EQUIVALENTS AT 1 JANUARY** | 358 | – | 358 |
| **CASH AND CASH EQUIVALENTS AT 31 DECEMBER** | 1,478 | 57,707 | (56,229) |

*Notes:*

(i) The cash flow impact were transacted during the year ended 31 December 2024 and were derived from manufacturing and sale of furniture operations of Hengcheng and the assets and liabilities of Hengcheng retained by the Remaining Group.

(ii) The cash flow impact during the year ended 31 December 2024 were derived from Hengcheng Target Assets and liabilities mainly including (1) amortisation expenses of land and depreciation expenses of building amounted to RMB2,020,000 in cost of goods sold, (2) interest income from bank and government grants amounted to RMB417,000, (3) amortisation expenses of idle land amounted to RMB650,000, (4) repayment and finance costs of other borrowings in disposed liabilities amounted to RMB54,158,000 and RMB4,424,000 respectively and (5) government grants received and recognised amounted to RMB2,563,000 and RMB415,000 respectively.

(b) The adjustment represents the exclusion of transactions and cash flows impacts between the SCFL and the Remaining Group for the year ended 31 December 2024.

(5) The above adjustments are not expected to have a continuing effect on the unaudited pro forma consolidated statement of profit or loss, the unaudited pro forma consolidated statement of comprehensive income and unaudited pro forma consolidated statement of cash flows of the Remaining Group.

## G. INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

*The following is the text of a report received from, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, in respect of the unaudited pro forma financial information of the Remaining Group for the purpose of incorporation in this circular.*




**To the directors of Royale Home Holdings Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Royale Home Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company (the "Directors") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 30 June 2025, the unaudited pro forma consolidated statement of profit or loss for the year ended 31 December 2024, the unaudited pro forma consolidated statement of comprehensive income for the year ended 31 December 2024, the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2024, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-18 of Appendix III to the Company's circular dated 11 November 2025 (the "Circular") in connection with the Company's preposed disposal of Science City (Guangzhou) Finance and Leasing Co., Ltd. and Guangdong Hengcheng Furniture Co., Ltd. (collectively, the "Target Companies") by the Company (the "Proposed Transactions"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-18 of Appendix III to the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Transactions on the Group's consolidated financial position as at 30 June 2025 as if the Proposed Transactions had taken place as at 30 June 2025, and on the Group's consolidated financial performance and consolidated cash flows for the year ended 31 December 2024 as if the Proposed Transactions had been taken place at 1 January 2024. As part of this process, information about the Group's consolidated financial position as at 30 June 2025 has been extracted by the Directors from the Group's 2025 interim report, which included the financial statements for the six months ended 30 June 2025, on which no audit or review report has been published. Information about the Group's financial performance and cash flows for the year ended 31 December 2024 has been extracted by the Directors from the Group's 2024 annual report on which an emphasis of matter regarding the material uncertainties relating to going concern has been published, which included the financial statements for the year ended 31 December 2024.

**Directors' Responsibilities for the Unaudited Pro Forma Financial Information**

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

**Our Independence and Quality Management**

We have complied with the independence and other ethical requirement of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies Hong Kong Standard on Quality Management 1, "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of Unaudited Pro Forma Financial Information included in this circular is solely to illustrate the impact of Proposed Transactions on the unadjusted financial information of the Group as if the Proposed Transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Transactions as at 30 June 2025 or/and 1 January 2024 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Group, the event or transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**Grant Thornton Hong Kong Limited**

*Certified Public Accountants*
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

11 November 2025

Lam Kam Fung
Practising Certificate No.: P07822

## MANAGEMENT DISCUSSION AND ANALYSIS OF THE REMAINING GROUP

It is expected that the Disposals will not give rise to any material adverse impact to the operations of the Group. Set out below is the management discussion and analysis of the Group for each of the three years ended 31 December 2022, 2023 and 2024 as derived from the annual reports of the Company for each of the three years ended 31 December 2022, 2023 and 2024 respectively.

### For the year ended 31 December 2022

#### *1. Business Overview*

For the year ended 31 December 2022 ("**FY 2022**"), the Group recorded revenue of HK$1,702.9 million (for the year ended 31 December 2021 ("**FY 2021**"): HK$1,526.5 million), representing an increase of 11.6% from last year. The Group's overall gross profit margin decreased from 20.8% for 2021 to 14.4% for FY 2022 due to decreased gross profit margin of furniture business. Profit for the year was HK$12.4 million (2021: HK$88.3 million), representing a decrease of 86.0%. Profit attributable to owners of the parent for the year was HK$5.6 million (2021: HK$76.9 million), representing a decrease of 92.7%.

Despite the decline in offline sales of furniture due to the recurring COVID-19 pandemic in the PRC, the Group continued to focus on providing full support to distributors throughout the country to optimise and improve their operational efficiency. During the year, the Group's retail network of distributors increased by 10.2% on a year-on-year basis to 1,909 retail outlets.

By the end of 2022, the Group had a total of 4 self-operated stores located in Guangdong Foshan, Guangzhou Xintang, Dongguan and Quanzhou in the PRC, focusing on brand promotion and displaying a full range of home furnishing products in key cities to continuously enhance the brand influence of the Group. Meanwhile, as the impact of internet continued to expand, the Group adopted influencer marketing to continue penetration into younger user groups.

Also, the Group continued to deepen its business cooperation with its strategic controlling shareholder, Science City, and explored and continuously developed new income streams for mutual benefit and win-win results.

Looking forward, the Group will continue to promote project cooperation with commercial customers and strive to expand the development of furniture projects. The Group has successfully entered the list of designated furniture suppliers for Huawei Group and is competing for multiple furniture projects with contract value more than hundreds of millions. The Group will provide high-quality customized furniture, sofas, movable furniture and ancillary service

## 2. *Financial Review*

*Revenue*

For FY 2022, the Group recorded revenue of HK$1,702.9 million (FY 2021: HK$1,526.5 million), representing an increase of 11.6% from last year. The increase in revenue was due to the increased activities for sales of furniture and trading commodities.

*Gross profit*

The Group's overall gross profit margin decreased from 20.8% for FY 2021 to 14.4% for FY 2022 due to decreased gross profit margin of furniture business. For the furniture business, the gross profit margin decreased from 37.9% in 2021 to 24.6% in FY 2022 due to (i) discount promotion of the Company to boost sales in order to capture market share and maintain competitiveness under the recovery from the COVID-19 recession, (ii) direct labor cost increased due to increased headcount and pension scheme contribution and (iii) increased direct material cost.

*Selling and distribution expenses*

For FY 2022, selling and distribution expenses increased by 36.9% to approximately HK$133.0 million (FY 2021: HK$97.1 million), which was mainly due to significant increase in sales promotional activities in order to increase market share and increased in commission and payroll expenses for strengthening manpower to boost sales in furniture business.

*Administrative expenses*

Administrative expenses increased by 21.1% to HK$152.0 million for FY 2022 (FY 2021: HK$125.5 million), which was attributable to (i) increased headcount in the department of furniture projects, (ii) increase in business trip expenses following the gradual recovery from COVID-19 and relaxation of social distancing measures and (iii) increased consultant fee on bank or loan financing.

*Share of profits and losses of associates*

Share of profits and losses of associates during the year increase from share of losses of RMB12.9 million for FY 2021 to share of profits of RMB2.4 million for FY 2022, which was mainly attributable to the share of profit of SCFL during FY 2022.

*Finance costs*

Finance costs during FY 2022 increased by 13.0% to HK$139.6 million (2021: HK$123.5 million) as the Group has increased debt for strengthening working capital.

*Income tax credit*

An income tax credit of HK$124.7 million has been recorded for FY 2022 as compared to an income tax expense of HK$29.6 million recorded for FY 2021, as the Group has adjusted previously recognized deferred tax liabilities arising from tax filling of land resumption.

*Profit for the year*

Profit for the year was HK$12.4 million (2021: HK$88.3 million), representing a decrease of 86.0%. Profit attributable to owners of the parent for FY 2022 was HK$5.6 million (FY 2021: HK$76.9 million), representing a decrease of 92.7%. The significant decrease was a result of the Group's decreased gross profit, increased operating expenses, decreased gains in fair value of investment properties and provision for estimated loss from legal litigations, partially set off by the adjustments in respect of previously recognized deferred tax liabilities arising from tax filling of land resumption.

***3. Currency risk***

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 0.8% for FY 2022 (FY 2021: 1.3%) of the Group's sales are denominated in currencies other than the functional currencies of the operating units making the sale, whilst almost 100% for FY 2022 (FY 2021: 100%) of costs are denominated in the units' functional currencies. The Group does not use any forward currency contracts to eliminate the foreign currency exposures and the Group does not enter into any hedge derivatives.

***4. Pledge of assets***

As at 31 December 2022, the Group pledged (i) a building and a right-of-use asset which had aggregate carrying values of approximately HK$624,134,000 (2021: HK$646,785,000); (ii) time deposits amounting to HK$168,640,000 (2021: HK$735,561,000); (iii) inventories amounting to HK$7,973,000 (2021: HK$27,244,000); (iv) certain machinery amounting to HK$101,639,000 (2021: HK$111,671,000); (v) construction in progress amounting to HK$61,356,000 (2021: nil); (vi) an investment property amounting to HK$236,662,000 (2021: HK$154,076,000) to secured certain bank and other borrowings granted to the Group; and (vii) 40% equity interest in an associate of approximately HK$834,117,000 (2021: HK$936,018,000) to secure general banking facilities granted to the associate.

***5. Gearing ratio***

The gearing ratio is defined as net debt divided by capital plus net debt, amounted to 56% as at 31 December 2022 (2021: 51%).

### *6. Liquidity and financial resources*

The Group had cash and cash equivalents amounted to HK$403.9 million as at 31 December 2022 (2021: HK$146.5 million). As at 31 December 2022, the Group's current ratio (current assets to current liabilities) decreased to 1.16 (2021: 1.37) and the net current assets amounted to HK$326.8 million (2021: net current assets of HK$714.8 million). As at 31 December 2022, the interest-bearing bank and other borrowings amounted to HK$2,547.0 million (2021: HK$2,341.1 million), all denominated in Renminbi, loan from the immediate holding company, loan from an associate, loan from non-controlling interests and medium term bonds are total amount of HK$419.2 million (2021: loan from the immediate holding company, loan from non-controlling interests, loan from a director and medium term bonds are total amount of HK$268.7 million). Approximately 83% of the Group's cash and bank balances and time deposits were denominated in Renminbi with the remaining balance denominated in Hong Kong Dollars. The exposure to the foreign exchange rate fluctuation during the year has been minimal since both of our operating cash inflow and outflow are predominantly in Renminbi. Currently, the Group does not maintain any hedging policy with respect to these foreign currency exposures.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2022.

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

### *7. Contingent liabilities*

During FY 2022, the Group has provided guarantees of HK$362,179,000 (equivalent to RMB320,000,000) and pledged 40% equity interest in an associate to secure general banking facilities granted to the associate.

### *8. Employees and remuneration policies*

The total number of employees of the Group as at 31 December 2022 was 1,490 (2021: 1,328). 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 options may also be granted to eligible employees and persons of the Group. At 31 December 2022, there were no outstanding share options. In the meantime, the

Group adopted the Performance Share Award Plan on 14 May 2021. At 31 December 2022, no Shares have been awarded to any Selected Persons pursuant to the Performance Share Award Plan.

***9. Capital commitments***

As at 31 December 2022, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of equity investments, property, plant and equipment, and construction in progress amounting to approximately RMB70.1 million (as at 31 December 2021: RMB9.8 million).

***10. Future plans for material investments***

As at 31 December 2022, there was no plan authorised by the Board for other material investments or additions of capital assets.

***11. Significant investment held***

Particulars of significant investments in associates held by the Group as at 31 December 2022 are set out as follows:

| **Name** | **Principal activity** | **Percentage of equity interest held** | **Carrying amount as at 31 December** | | **Percentage to the Group's audited total assets as at 31 December 2022** |
|---|---|---|---|---|---|
| | | | **2022** | **2021** | |
| | | | *HK$'000* | *HK$'000* | |
| Guangzhou Fu Yue Design Company Limited ("**Fuyue Design**") | Design services | 50% | 82,300 | 92,095 | 1.34% |
| Sky Walk Limited ("**Sky Walk**") | Investment | 42.42% | 135,595 | 144,470 | 2.21% |
| Guangzhou Gangke Real Estate Co., Ltd. ("**Gangke**") | Real Estate | 40% | 834,117 | 936,018 | 13.61% |
| SC Financial Leasing | Financial Leasing | 25% (2021: 23.5%) | 330,694 | 311,541 | 5.40% |

Save for the aforementioned, the Group did not hold any significant investments during FY 2022.

*12. Acquisitions and disposals*

On 18 March 2022, Royal Finance Lease, an indirect wholly-owned subsidiary of the Company, entered into an acquisition agreement with China Finance Leasing Limited ("**China Finance Lease**"), pursuant to which Royal Finance Lease conditionally agreed to acquire, and China Finance Lease conditionally agreed to sell, 1.5% of the equity interest in SCFL (in relation to which the corresponding registered capital of SCFL is RMB15.0 million), at the cash consideration of RMB19.5 million (the "**Acquisition**").

Following completion of the Acquisition, Royal Finance Lease owns 25% of the equity interest in SCFL.

Save for the aforementioned, the Group did not make any material acquisition or disposal of subsidiaries, associated companies and joint ventures during FY 2022.

**For the year ended 31 December 2023**

*1. Business Overview*

For the year ended 31 December 2023 ("**FY 2023**"), the Group recorded revenue of RMB827.9 million (FY 2022: RMB1,461.0 million), representing a decrease of 43.3% from last year. The Group's overall gross profit margin decreased from 14.4% for 2022 to 3.2% for FY 2023. Loss for the year for FY 2023 was RMB386.0 million (FY 2022: profit for the year of RMB10.6 million), representing a decrease of 3,727.5%. Loss attributable to owners of the parent for FY 2023 was RMB381.5 million (FY 2022: profit attributable to owners of the parent of RMB4.7 million), representing a decrease of 8,264.7%.

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

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

The Group is actively advancing project cooperation with commercial customers, expanding the scale and variety of furniture projects. As one of Huawei Group's designated furniture suppliers, we provide high-quality custom-made furniture, sofas, and movable furniture to multiple Huawei bases, along with comprehensive after-sales services, adhering to the concept of providing "healthy, safe, comfortable, and elegant" products and creating an ideal working and living environment for Huawei employees.

In the third quarter of 2023, the Group's hotel located in Xiancun Town, Zengcheng District, Guangdong Province, completed an upgrade and optimization, re-entering the market with a brand-new image. The optimization of such hotel during the year reduced the number of its operating days, and due to the fixed depreciation cost of the properties, the gross profit margin of hotel business dropped significantly, but is expected to improve as the hotel has been fully put into operation in the third quarter.

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

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

***2. Financial Review***

*Revenue*

For the year ended 31 December 2023, the Group recorded revenue of RMB827.9 million (2022: RMB1,461.0 million), representing a decrease of 43.3% from last year. The decrease in revenue was due to the discontinuation of commodities trading business by the Group during the year.

*Gross profit*

The Group's overall gross profit margin decreased from 14.4% for 2022 to 3.2% for 2023 due to decreased gross profit margin of furniture and hotel business. For the furniture business, the gross profit margin decreased from 24.6% in 2022 to 7.4% in 2023 due to (i) discount promotion of the Company to boost sales and (ii) increased direct material cost.

*Selling and distribution expenses*

For the year ended 31 December 2023, selling and distribution expenses increased by 44.9% to approximately RMB165.4 million (2022: RMB114.1 million), which was mainly

due to significant increase in sales promotional activities, such as new store promotion, expansion of home exhibition scale and recruiting of franchisees, in order to increase market share and increased in commission.

*Administrative expenses*

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

*Share of profits and losses of associates*

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

*Finance costs*

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

*Income tax credit*

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

*Loss for the year*

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

### *3. Currency risk*

The Group has transactional currency exposures. These exposures arise from sales or purchases by operating units in currencies other than the units' functional currencies. Approximately 0.7% (2022: 0.8%) of the Group's sales are denominated in currencies other than the functional currencies of the operating units making the sale, whilst almost 100% (2022: 100%) of costs are denominated in the units' functional currencies. The Group does not use any forward currency contracts to eliminate the foreign currency exposures and the Group does not enter into any hedge derivatives.

### *4. Pledge of assets*

As at 31 December 2023, the Group pledged (i) buildings and a right-of-use asset which had aggregate carrying values of approximately RMB576,668,000 (2022: RMB551,447,000); (ii) time deposits amounting to RMB159,041,000 (2022: RMB149,000,000); (iii) inventories amounting to RMB21,918,000 (2022: RMB7,045,000); (iv) certain machinery amounting to RMB23,464,000 (2022: RMB89,802,000); (v) construction in progress amounting to RMB nil (2022: RMB54,211,000); (vi) an investment property amounting to RMB nil (2022: RMB209,100,000) to secured certain bank and other borrowings granted to the Group; and (vii) 40% equity interest in an associate of approximately RMB715,622,000 (2022: RMB736,976,000) to secure general banking facilities granted to the associate.

### *5. Gearing ratio*

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

### *6. Liquidity and financial resources*

The Group had cash and cash equivalents amounted to RMB29.3 million as at 31 December 2023 (2022: RMB356.8 million). As at 31 December 2023, the Group's current ratio (current assets to current liabilities) decreased to 0.96 (2022: 1.16) and the net current liabilities amounted to RMB96.1 million (2022: net current assets of RMB284.0 million). As at 31 December 2023, the interest-bearing bank and other borrowings amounted to RMB2,389.9 million (2022: RMB2,250.4 million), all denominated in Renminbi, loan from the immediate holding company, loan from the ultimate holding company, loan from an associate, loan from non-controlling interests, loan from a director and medium term bonds are total amount of RMB328.6 million (2022: loan from the immediate holding company, loan from an associate, loan from non-controlling interests and medium term bonds are total amount of RMB370.4 million). Approximately 98% of the Group's cash and bank balances and time deposits were denominated in Renminbi with the remaining balance denominated in Hong Kong Dollars. The exposure to the foreign exchange rate fluctuation during the year has been minimal since both of our operating cash inflow and outflow are predominantly in Renminbi. Currently, the Group does not maintain any hedging policy with respect to these foreign currency exposures.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2023.

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

***7. Contingent liabilities***

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

***8. Employees and remuneration policies***

The total number of employees of the Group as at 31 December 2023 was 1,358 (2022: 1,490). The Group's remuneration policies are in line with local market practices where the Group operates and are normally reviewed on an annual basis. In addition to salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share award may also be granted to eligible employees and persons of the Group under the Performance Share Award Plan adopted by the Company on 14 May 2021. At 31 December 2023, no Shares have been awarded to any Selected Persons pursuant to the Performance Share Award Plan.

***9. Capital commitments***

As at 31 December 2023, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of equity investment, property, plant and equipment, and construction in progress amounting to approximately RMB36.2 million (as at 31 December 2023: RMB61.9 million).

***10. Future plans for material investments***

As at 31 December 2023, there was no plan authorised by the Board for other material investments or additions of capital assets.

### *11. Significant investment held*

Particulars of significant investments in associates held by the Group as at 31 December 2023 are set out as follows:

| Name | Principal activities | Percentage of equity interest held | Carrying amount as at 31 December 2023 | Carrying amount as at 31 December 2022 | Percentage to the Group's audited total assets as at 31 December 2023 |
|---|---|---|---|---|---|
| | | | *RMB'000* | *RMB'000* | |
| Guangzhou Fu Yue Design Company Limited ("**Fuyue Design**") | Design services | 50% | 70,297 | 72,715 | 1.32% |
| Sky Walk Limited ("**Sky Walk**") | Investment | 42.42% | 107,363 | 119,804 | 2.02% |
| Gangke | Real Estate | 40% | 718,223 | 739,577 | 13.54% |
| Science City (Guangzhou) Financial Leasing Co., Ltd.* (科學城(廣州)融資租賃有限公司) ("**SC Financial Leasing**") | Financial Leasing | 25% | 381,083 | 292,182 | 7.18% |

Save for the aforementioned, the Group did not hold any significant investments during FY 2023.

### *12. Acquisitions and disposals*

The Group did not make any material acquisition or disposal of subsidiaries, associated companies and joint ventures during FY 2023.

**For the year ended 31 December 2024**

***1. Business Overview***

For the year ended 31 December 2024 ("**FY 2024**"), the Group recorded revenue of RMB525.6 million (for the year ended 31 December 2024 (FY 2023: RMB827.9 million), representing a decrease of 36.5% from last year. The Group's overall gross profit margin increased from 3.2% in 2023 to 6.7% in 2024. Loss for the year was RMB348.3 million (2023: loss for the year of RMB386.0 million), representing a decrease of 9.8%. Loss attributable to owners of the parent for the year was RMB334.4 million (2023: loss attributable to owners of the parent of RMB381.5 million), representing a decrease of 12.4%.

Throughout the year, the business of franchise distributors was significantly affected by the weak consumer market. By the end of the year, although the number of retail outlets increased by 0.1% year-on-year to 1,960, the purchase orders from franchisees decreased. Besides, the Group closed three self-operate stores, resulting in a one-off provision of store renovation and opening expenses. However, the timely discontinuation of the business halted monthly losses from these self-operate stores.

With the support of the controlling shareholder, Science City, the Group aims at expanding its furniture projects for sizeable commercial clients. In the second half of the year, the Group successfully completed several large-scale furniture projects. However, due to the impact of slow down commercial activities, the furniture projects business also recorded a slight decline. Despite this, the management remains optimistic about the future development of furniture projects business.

The Group's hotel business located in Xiancun Town, Guangzhou Zengcheng District, continued its improvement resulting in an increase of hotel revenue by approximately 30.2% year-on-year. The Group will keep improving the quality in hospitality and brand image in order to strengthen its market competitiveness.

Looking forward, the Group is determinated to continue allocating resources and proactively develop its home furnishing business. Leveraging its brand strength and the influence of its new spokesperson, the Group aims to expand its sales channels, further optimize its cost structure, streamline administrative expenses, and adjust its workforce to enhance operational efficiency and profitability. These measures are designed to address market challenges and solidify the Group's market position.

## 2. *Financial Review*

*Revenue*

For FY 2024, the Group recorded revenue of RMB525.6 million (2023: RMB827.9 million), representing a decrease of 36.5% from last year. The decrease in revenue was attributable to a weak consumer market and the Group's cessation of the commodities trading business during the year.

*Gross profit*

The Group's overall gross profit margin increased from 3.2% in FY 2023 to 6.7% in FY 2024, primarily due to a slight improvement in the gross profit margin of the furniture business and the cessation of the low-margin commodities trading business during the year. For the furniture business, the gross profit margin increased from 7.4% in FY 2023 to 8.7% in FY 2024.

*Selling and distribution expenses*

For FY 2024, selling and distribution expenses decreased by 39.4% to approximately RMB100.2 million (FY 2023: RMB165.4 million), which was mainly due to a significant reduction in sales promotions and exhibition activities, as well as lower salaries and commissions resulting from a weak consumer market and reduced sales force, and the Group's closure of self-operated stores.

*Administrative expenses*

Administrative expenses decreased by 18.0% to RMB128.9 million for FY 2024 (FY 2023: RMB157.2 million), which was mainly attributable to a reduction in guarantee fees for bank and other loan financing, along with the implementation of the Group's cost-saving policy during FY 2024.

*Share of profits and losses of associates*

Share of profits and losses of associates during the year increase from share of losses of RMB12.0 million for FY 2023 to share of losses of RMB16.3 million for FY 2024, which was mainly attributable to an increase in the share of loss of Guangzhou Gangke Real Estate Co., Ltd* (廣州港科置業有限公司) during FY 2024.

*Finance costs*

Finance costs during FY 2024 increased by 18.7% to RMB171.7 million (FY 2023: RMB144.7 million) due to an increase in average borrowings and average interest rate during the year.

*Income tax credit*

An income tax credit of RMB83.3 million (2023: RMB33.1 million) has been recorded for FY 2024, which mainly represented adjustment in respect of current tax of previous periods and deferred tax credit during FY 2024.

*Loss for the year*

Loss for the year for FY 2024 was RMB348.3 million (FY 2023: loss for the year of RMB386.0 million), representing a decrease of 9.8%. Loss attributable to owners of the parent for the year was RMB334.4 million (FY 2023: loss attributable to owners of the parent of RMB381.5 million), representing a decrease of 12.4%. The slight improvement was a result of the Group's enhanced gross profit margin, reduced operating expenses and reversal of over-provision of income tax, but offset by an increase in impairment of trade receivables and financial assets included in prepayments, deposits and other receivables, increase in finance costs and increase in share of losses of associates.

***3. Currency risk***

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

***4. Pledge of assets***

As at 31 December 2024, the Group pledged (i) buildings and a right-of-use asset which had aggregate carrying values of approximately RMB564,464,000 (2023: RMB576,668,000); (ii) time deposits amounting to RMB5,031,000 (2023: RMB159,041,000); (iii) inventories amounting to RMB Nil (2023: RMB21,918,000); (iv) certain machineries amounting to RMB19,986,000 (2023: RMB23,464,000); (v) deposits in other receivables amounting to RMB46,075,000 (2023: RMB53,000,000) to secured certain bank and other borrowings granted to the Group; and (vi) 40% equity interest in an associate of approximately RMB672,858,000 (2023: RMB715,622,000) to secure general banking facilities granted to the associate.

***5. Gearing ratio***

The gearing ratio is defined as net debt divided by capital plus net debt, amounted to 72% as at 31 December 2024 (2023: 66%).

### *6. Liquidity and financial resources*

The Group had cash and cash equivalents amounting to RMB20.5 million as at 31 December 2024 (2023: RMB29.3 million). As at 31 December 2024, the Group's current ratio (current assets to current liabilities) decreased to 0.74 (2023: 0.96) and net current liabilities increased to RMB699.2 million (2023: net current liabilities of RMB96.1 million). As at 31 December 2024, the interest-bearing bank and other borrowings amounted to RMB1,690.6 million (2023: RMB2,389.9 million), all denominated in Renminbi, 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 are total amount of RMB1,209.1 million (2023: loan from the immediate holding company, loan from the ultimate holding company, loan from an associate, loan from non-controlling interests, loan from a director and medium term bonds are total amount of RMB328.6 million). Approximately 87.3% of the Group's cash and bank balances and time deposits were denominated in Renminbi with the remaining balance denominated in Hong Kong dollars. The exposure to the foreign exchange rate fluctuation during the year has been minimal since both of our operating cash inflow and outflow are predominantly in Renminbi. Currently, the Group does not maintain any hedging policy with respect to these foreign currency exposures.

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

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

### *7. Contingent liabilities*

During FY 2024, 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.

### *8. Employees and remuneration policies*

The total number of employees of the Group as at 31 December 2024 was 949 (2023: 1,358). The Group's remuneration policies are in line with local market practices where the Group operates and are normally reviewed on an annual basis. In addition to salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus.

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

***9. Capital commitments***

As at 31 December 2024, the Group had capital commitments of capital expenditure contracted but not provided in respect of construction in progress amounting to approximately RMB32.1 million (as at 31 December 2023: RMB36.2 million).

***10. Future plans for material investments***

As at 31 December 2024, there was no plan authorised by the Board for other material investments or additions of capital assets.

***11. Significant investment held***

Particulars of significant investments in associates held by the Group as at 31 December 2024 are set out as follows:

| **Name** | **Principal activities** | **Percentage of equity interest held** | **Carrying amount as at 31 December** | | **Percentage to the Group's audited total assets as at 31 December 2024** |
|---|---|---|---|---|---|
| | | | **2024** | **2023** | |
| | | | *RMB'000* | *RMB'000* | |
| Guangzhou Fu Yue Design Company Limited ("**Fuyue Design**") | Design services | 50% | 67,879 | 70,297 | 1.35% |
| Sky Walk Limited ("**Sky Walk**") | Investment | 42.42% | 107,264 | 107,363 | 2.13% |
| Gangke | Real Estate | 40% | 672,858 | 718,223 | 13.38% |
| SC Financial Leasing | Financial Leasing | 18.06% | 362,271 | 381,083 | 7.20% |

Save for the aforementioned, the Group did not hold any significant investments during FY 2024.

***12. Acquisitions and disposals***

On 5 December 2024, Royal Finance Lease, an indirect wholly-owned subsidiary of the Company, entered into a capital injection agreement (the "**Capital Injection Agreement**") with SCFL. Pursuant to the Capital Injection Agreement, Science City has agreed to make a capital injection of RMB500 million into SCFL in cash to its shareholding percentage in SCFL. Royal Finance Lease has agreed to waive its preemptive rights in making capital injection in proportion to its shareholding percentage in SCFL in connection with the capital injection.

Upon completion of the capital injection, SCFL's equity interest will be held as to 81.94% by Science City and 18.06% by Royal Finance Lease, and the total registered capital of SCFL will be increased from RMB1,300 million to RMB1,800 million.

Save for the aforementioned, the Group did not make any material acquisition or disposal of subsidiaries, associated companies and joint ventures during FY 2024.

* *For identification purposes only*

INTERNATIONAL VALUATION LIMITED
國 際 評 估 有 限 公 司

11 November 2025

The Board of Directors
**Royale Home Holdings Limited**
Room 607, 6/F
Tsim Sha Tsui Centre West Wing
66 Mody Road, Tsim Sha Tsui East
Kowloon
Hong Kong

Ref: 20252498

Dear Sir and Madam,

International Valuation Limited ("**IVL**") has concluded its analysis on the 18.06% equity interest in Science City (Guangzhou) Finance and Leasing Co., Ltd. (科學城(廣州)融資租賃有限公司) (the "**Target Company**"). The purpose of this engagement is to estimate the market value of the 18.06% equity interest in the Target Company as of 30 June 2025 (the "**Valuation Date**").

Our work is designed solely to assist the management (the "**Management**") of Royale Home Holdings Limited (the "**Company**") and its subsidiaries (together as the "**Group**") to determine the market value of the 18.06% equity interest in the Target Company as of the Valuation Date for very substantial disposal reference purpose.

This report states our scope of work and purpose of appraisal, identifies the business appraised, economic overview, describes the basis and methodology of our appraisal, investigation and analysis, major assumptions and limiting conditions, and presents our opinion of value.

## PURPOSE OF APPRAISAL

IVL acknowledges that this report is prepared solely to assist the Management to determine the market value of the 18.06% equity interest in the Target Company as of the Valuation Date. We understand that this report would be made available for very substantial disposal reference purpose only. No other use of our valuation report is intended or should be inferred.

We assume no responsibility whatsoever to any person other than the Group in respect of, or arising out of, the contents of this report. If others chose to rely in any way on the contents of this report they do so entirely on their own risk.

## DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2025. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of market value: "*Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*" Unless otherwise noted, the market value of the 18.06% equity interest in the Target Company is determined on non-controlling shares and going concern bases.

## SCOPE OF THE ENGAGEMENT

Our services included performing a valuation on the equity interest of the Target Company as of the Valuation Date.

In the process of the valuation under this engagement, we relied on business and financial information of the Target Company provided by the Management or obtained from public sources, if any. The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Discussions with the Management concerning the history and future operations of the Target Company;
- Discussions with the Management to obtain an explanation and clarification of data provided;
- Development of valuation model to value the Target Company, including gathering market and industry information in support of various assumptions;
- Discussions with the Management to:
  - Understand in more detail of the Target Company;
  - Gain a more thorough understanding of the nature, operations and projected financial information ("**PFI**") of the Target Company, including the estimated market trends;
- Analysis of the conditions and economy for the territory in which the Target Company operates; and
- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the equity value of the Target Company.

In the course of our valuation, we used financial and other information provided by the Management. We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

This valuation report comprises:

A. This letter, which describes the nature and extent of the valuation, and presents the conclusion of value; and

B. A narrative report, which sets forth the history and nature of the operations, a description of valuation theory, and a presentation and correlation of the valuation techniques employed, and the conclusion of value.

**SOURCES OF INFORMATION**

As part of our due diligence, we relied upon information and documents furnished to us by the Management, including the following:

- General descriptions and background of the Target Company;
- Shareholding structure chart of the Target Company;
- Equity transfer agreement dated 22 September 2025 entered into by the Group in relation to the disposal of 18.06% equity interest in the Target Company;
- The PFI of the Target Company, including financial projection, cost and pricing analysis, working capital assumptions and capital expenditure forecast, as provided by the Management;
- Audited financial statements of the Target Company for the year ended 31 December 2024; and
- Unaudited consolidated management accounts of the Target Company for the six months period ended 30 June 2025.

Other information regarding the economy, as well as additional financial data was obtained from sources deemed to be reliable. In addition, we have discussed with the Management concerning the financial and general outlook of the Target Company.

In the course of our valuation, we relied on the financial and other information provided by the Management, and have considered such information and data as attainable and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters, which an audit or more extensive examination might disclose.

We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

**CONCLUSION**

Based on the information provided and the analysis conducted, and subject to the Major Assumptions and Statement of Limiting Conditions, our opinion of the market value of the 18.06% equity interest in the Target Company as of 30 June 2025 is reasonably represented in the amount of approximately, **RENMINBI THREE HUNDRED NINETY FIVE MILLION ONLY (RMB395,000,000).**

We appreciate the opportunity to provide our valuation services. Please do not hesitate to contact us if you have any questions or if we can be of further assistance concerning this engagement. A copy of this report is retained in our files together with the data from which it was prepared.

Respectfully submitted,
**International Valuation Limited**

## 1 INTRODUCTION

### Description of the Assignment

International Valuation Limited ("**IVL**") has concluded its analysis on the 18.06% equity interest in Science City (Guangzhou) Finance and Leasing Co., Ltd. (科學城(廣州)融資租賃有限公司) (the "**Target Company**"). The purpose of this engagement is to estimate the market value of the 18.06% equity interest in the Target Company as of 30 June 2025 (the "**Valuation Date**").

Our work is designed solely to assist the management (the "**Management**") of Royale Home Holdings Limited (the "**Company**") and its subsidiaries (together as the "**Group**") to determine the market value of the 18.06% equity interest in the Target Company as of the Valuation Date for very substantial disposal reference purpose.

The report was prepared in accordance with International Valuation Standards 2025. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of market value: "*Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*" Unless otherwise noted, the market value of the 18.06% equity interest in the Target Company is determined on non-controlling shares and going concern bases.

The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Discussions with the Management concerning the history and future operations of the Target Company;
- Discussions with the Management to obtain an explanation and clarification of data provided;
- Development of valuation model to value the Target Company, including gathering market and industry information in support of various assumptions;
- Discussions with the Management to:
  - Understand in more detail of the Target Company;
  - Gain a more thorough understanding of the nature, operations and projected financial information ("**PFI**") of the Target Company, including the estimated market trends;

- Analysis of the conditions and economy for the territory in which the Target Company operates; and

- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the equity value of the Target Company.

In the course of our valuation, we used financial and other information provided by the Management. We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

**Sources of Information**

As part of our due diligence, we relied upon information and documents furnished to us by the Management, including the following:

- General descriptions and background of the Target Company;

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- Equity transfer agreement dated 22 September 2025 entered into by the Group in relation to the disposal of 18.06% equity interest in the Target Company;

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We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

## 2 PURPOSE OF APPRAISAL

IVL acknowledges that this report is prepared solely to assist the Management to determine the market value of the 18.06% equity interest in the Target Company as of the Valuation Date. We understand that this report would be made available for very substantial disposal reference purpose only. No other use of our valuation report is intended or should be inferred.

We assume no responsibility whatsoever to any person other than the Group in respect of, or arising out of, the contents of this report. If others chose to rely in any way on the contents of this report they do so entirely on their own risk.

## 3 OVERVIEW OF THE TARGET COMPANY

### Business Descriptions

The Target Company is a company established in the People's Republic of China ("**PRC**") with limited liability. The principal business activity of the Target Company is finance leasing. The Target Company is a subsidiary of Science City (Guangzhou) Investment Group Co., Ltd. (科學城(廣州)投資集團有限公司) ("**Science City**").

Science City is a company established in the PRC with limited liability on 21 August 1984 and its ultimate beneficial owner is the Guangzhou Economic and Technological Development Zone Administration Committee (廣州經濟技術開發區管理委員會). Science City is principally engaged in, amongst others, investment, development and construction of industrial-city integrated body and construction-related services, advanced manufacturing and related services, investment and operation of environmental protection and water-related industries, investment and operation of strategic emerging industries such as digital economy.

## 4 ECONOMIC OVERVIEW

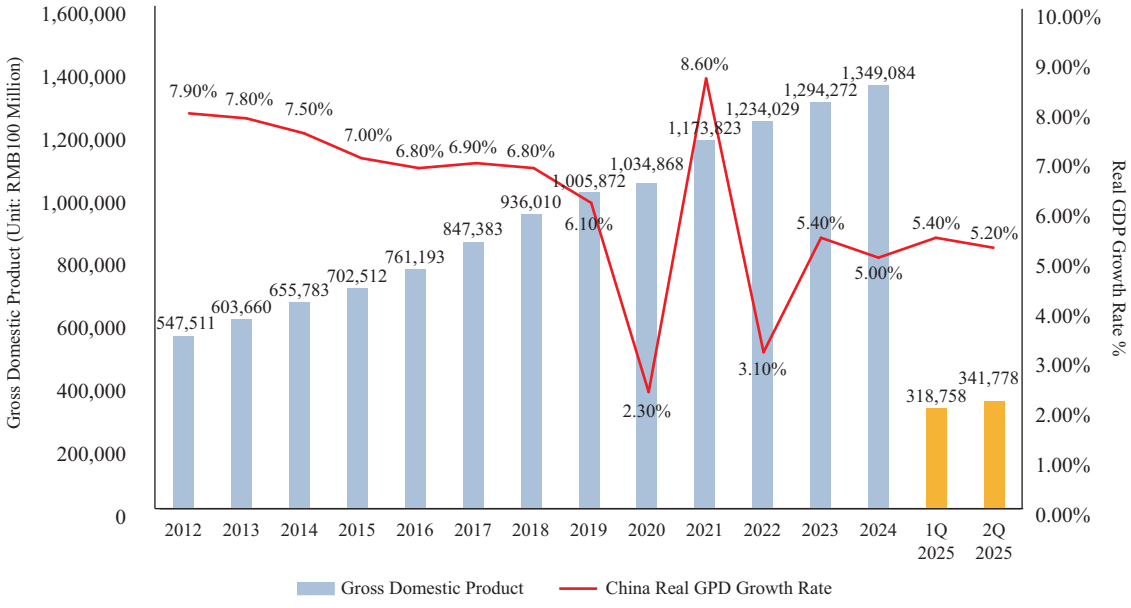
### Overview of Economy of the PRC

China's economy maintained steady growth momentum in 2025, with the government setting a gross domestic product ("**GDP**") growth target of "around 5%" for the year. This target was kept unchanged from 2024, demonstrating the government's commitment to sustained economic expansion despite mounting external pressures and trade tensions.

China economy has withstood pressure and made steady improvement in the first half of 2025 despite under challenges. In the second quarter of 2025, China's GDP grew by 5.2% year-on-year, compared to a 5.4% growth in the first quarter. According to National

Bureau of Statistics of China's preliminary estimates, the GDP in the first half of 2025 reached RMB66,053.6 billion, up by 5.3% year-on-year at constant prices. By industry, the value added of the primary industry was RMB3,117.2 billion, up by 3.7% year-on-year; that of the secondary industry was RMB23,905.0 billion, up by 5.3%; and that of the tertiary industry was RMB39,031.4 billion, up by 5.5%. This strong performance was driven by a combination of proactive policy measures implemented since September 2024, robust industrial production, and accelerated export activity ahead of potential United States ("**U.S.**") tariffs.

**China Gross Domestic Product and Real GDP Growth Rate from 2012 to the First Half of 2025**




*Source: National Bureau of Statistics of China*

**Industrial Production and Manufacturing**

Industrial production is one of the key drivers of China's economic growth. In June, the value-added of industrial enterprises above the designated size went up by 6.8% year-on-year. In the first half year, the total value added of industrial production grew by 6.4% year-on-year. Divided into three categories, the value added of mining increased by 6.0% year-on-year, that of manufacturing increased by 7.0%, and that of production and supply of electricity, heat power, gas and water increased by 1.9%. The value added of equipment manufacturing increased by 10.2% year-on-year, and that of high-tech manufacturing increased by 9.5%, which were 3.8% points and 3.1% points faster than that of the industrial enterprises above the designated size, respectively.

**Consumer Spending and Retail Sales**

Consumer spending showed encouraging signs of recovery in 2025, supported by government stimulus measures and policy initiatives. Retail sales of consumer goods grew by 4.8% year-on-year in June 2025. In the first half year, the total retail sales of consumer goods reached RMB24,545.8 billion, up by 5.0 percent year-on-year, 0.4% points faster than that of the first quarter.

The government's consumer goods trade-in program has been a significant driver of consumption growth. The retail sales of household appliances and audio-visual equipment, cultural and office supplies, communication equipment, and furniture by enterprises above the designated size up by 30.7%, 25.4%, 24.1% and 22.9% respectively.

From January to June 2025, the online retail sales reached RMB7,429.5 billion, up 8.5% year-on-year. Among them, the online retail sales of physical goods reached RMB6,119.1 billion, up 6.0%, accounting for 24.9% of the total retail sales of consumer goods. Among the online retail sales of physical goods, food, clothing, and daily necessities increased by 15.7%, 1.4%, and 5.3%, respectively.

**Employment and Labor Market**

China's labour market remained relatively stable in the first half of 2025, and the urban surveyed unemployment rate averaged 5.2%. The government has set a target for the surveyed urban unemployment rate of around 5.5% for 2025, and aims to create over 12 million new urban jobs, according to this year's government work report released in March 2025.

**Trade and External Economic Relations**

China's foreign trade demonstrated resilience and remained robust growth throughout the first half of 2025 despite an unprecedented trade war with the United States. In the first six months of the year, total trade value reached RMB21.788 trillion (or USD3.032 trillion), representing a 2.9% year-on-year increase. Exports rose 7.2% to RMB13.000 trillion (or USD1.809 trillion), while imports declined 2.7% to RMB8.788 trillion (or USD1.223 trillion).

The export growth was partly driven by firms accelerating shipments ahead of the potential U.S. tariff increases amid the ongoing trade relationship tensions. Besides, U.S. President Donald Trump's tariff policies have also prompted Chinese exporters to accelerate efforts to diversify into alternative markets. The strong export performance demonstrated China's manufacturing competitiveness and was also primarily driven by mechanical and electrical product exports in recent years. China's mechanical and electrical product exports increased 9.5% year-on-year to RMB7.797 trillion between January and June, accounting for around 59.98% of the country's total exports.

In the first half of the year, the largest three foreign trade partners of China are Association of Southeast Asian Nations ("**ASEAN**"), European Union ("**EU**") and the United States, which contributed 16.85%, 12.93% and 9.54% of the total external trade value, respectively. ASEAN and EU experienced a 9.3% and 3.5% year-on-year growth in the first six months of the year while the foreign trade value declined 9.3% with the United States. The total external trade value for those countries that jointly build the Belt and Road Initiative has rose 4.7% to RMB11.289 trillion, representing 51.82% of the total external trade value in China.

**Total Import and Export Value of the Largest Three Countries/ Regions and Countries that Jointly Build the Belt and Road Initiative in June 2025**

*(RMB100 Million)*

| | Total Trade | | Export | | Import | | Year-on-Year ±% | | |
|---|---|---|---|---|---|---|---|---|---|
| | Jun 2025 | Jan-Jun 2025 | Jun 2025 | Jan-Jun 2025 | Jun 2025 | Jan-Jun 2025 | Total Trade | Export | Import |
| Association of Southeast Asian Nations | 6,522 | 36,716 | 4,186 | 23,178 | 2,336 | 13,538 | +9.6 | +14.3 | +2.3 |
| European Union | 5,209 | 28,176 | 3,538 | 19,222 | 1,671 | 8,954 | +3.5 | +7.9 | –4.8 |
| U.S. | 3,582 | 20,794 | 2,747 | 15,491 | 835 | 5,303 | –9.3 | –9.9 | –7.7 |
| Countries that jointly build the Belt and Road Initiative | 19,869 | 112,893 | 11,752 | 65,616 | 8,117 | 47,277 | +4.7 | +10.8 | –2.8 |
| **Total** | **38,527** | **217,876** | **23,394** | **130,000** | **15,134** | **87,875** | **+2.9** | **+7.2** | **–2.7** |

*Source: General Administration of Customs of the People's Republic of China*

**Inflation and Price Levels**

China experienced a deflationary environment for much of early 2025, with consumer prices declining 0.1% year-on-year in both April and May 2025. However, inflation turned positive in June, rising 0.1% year-on-year, marking the first annual increase since January 2025.

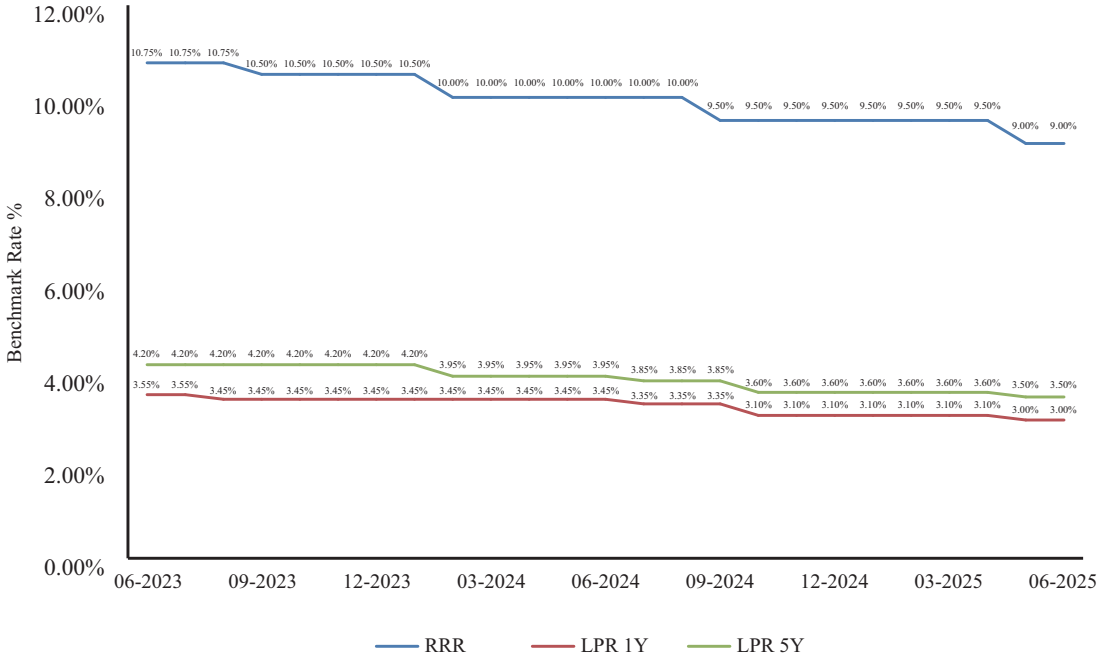
Core inflation, which excludes volatile food and fuel prices, showed more stability, rising 0.7% year-on-year in June 2025, the highest reading in 14 months. China's government lowered its inflation target for 2025 to around 2%, down from 3% in 2024, acknowledging the deflationary pressures and providing flexibility for policy easing.

**Monetary and Fiscal Policy**

China implemented a more accommodative policy stance in 2025. The People's Bank of China ("**PBOC**") announced a shift to a "moderately loose" monetary policy, marking a significant departure from the previous "prudent" stance maintained for 14 years.

In May 2025, the PBOC launched a comprehensive 10-point monetary policy package, including a 0.5% point cut in the reserve requirement ratio and a 0.1% point reduction in the 7-day reverse repo rate to 1.4%. These measures were designed to inject liquidity into the market and support economic growth. Within the same month, the PBOC has also cut the Loan Prime Rate ("**LPR**") for both the one-year and five-year terms. The one-year LPR was lowered to 3.0% from 3.1%, and the five-year LPR was reduced to 3.5% from 3.6%. This is the first time in seven months that the PBOC has cut these benchmark lending rates. The move was aimed at lowering borrowing costs for businesses and individuals, potentially stimulating investment and spending.

**Bank Loan Prime Rate and Reserve Requirement Ratio of Large Financial Institutions in China**




*Source: People's Bank of China*

On the fiscal side, China adopted a more proactive approach with the budget deficit target raised to 4.0% of GDP, the highest level in recent years. The government planned to issue RMB1.3 trillion in ultra-long special treasury bonds and RMB4.4 trillion in local government special-purpose bonds to support infrastructure and consumption.

National Bureau of Statistics of China pointed out that, generally speaking, with the more proactive and effective macro policies taking effects in the first half year of 2025, China's economy maintained steady growth with good momentum, showcasing strong resilience and vitality. However, there are many unstable and uncertain factors in external environment, the domestic effective demand is insufficient, and the foundation for economic recovery and growth needs to be further consolidated.

## 5 INDUSTRY OVERVIEW

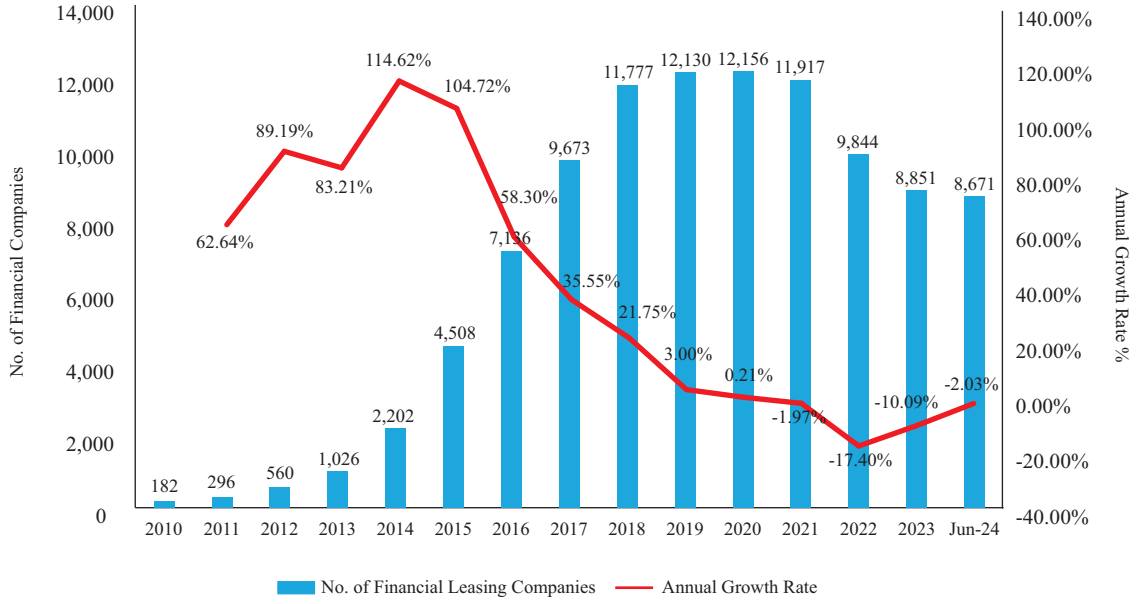
### Overview of Financial Leasing Industry of the PRC

Financial leasing is a form of non-bank finance, which specifically means that the lessor, based on the lessee's specific requirements for the leased items and the selection of the supplier, invests in purchasing the leased items from the supplier and leases them to the lessee, and the lessee pay rent to the lessor in installments. During the lease period, the ownership of the leased object belongs to the lessor, and the lessee has the right to use the leased object. When the lease term expires, the rent is paid and the lessee performs all its obligations under the financial lease contract, the ownership of the leased object will be transferred to the lessee. Financial leasing, as a financial service, is a direct way to stimulate real economy and help companies utilize idle assets and reduce liabilities.

According to the "China Financial Leasing Industry Development Report for the First Half of 2024" compiled by China Leasing Alliance* (中國租賃聯盟), Nankai University Institute of Contemporary Chinese Studies* (南開大學當代中國問題研究院) and Leasing Joint Research Institute* (租賃聯合研究院), as of the end of June 2024, the total volume of the world's leasing business was approximately USD3,856 billion and China's total business volume was approximately RMB5,606 billion, based on an average exchange rate of RMB6.9:USD1, which was equivalent to approximately USD812.5 billion. China's leasing industry then accounted for approximately 21.1% of the world's total leasing business, a decrease of 1.7% points from 23.2% at the end of 2023. At present, China was the world's second largest financial leasing country after the United States.

After experiencing a period of rapid growth from 2014 to 2018, the financial leasing industry has been greatly affected by the external credit environment and regulatory policies since 2019. The development of the industry has gradually exited the period of rapid growth and entered a new stage of development. As of the end of June 2024, the total number of financial leasing companies in China was approximately 8,671, representing a decrease of 180, or 2.03%, from 8,851 as at the end of 2023.

**Number of Financial Leasing Companies in China from 2010–June 2024**




*Source: Qianzhan Industry Institute, ReportLinker, and 中國融資租賃資源網 (http://www.flleasing.com/)*

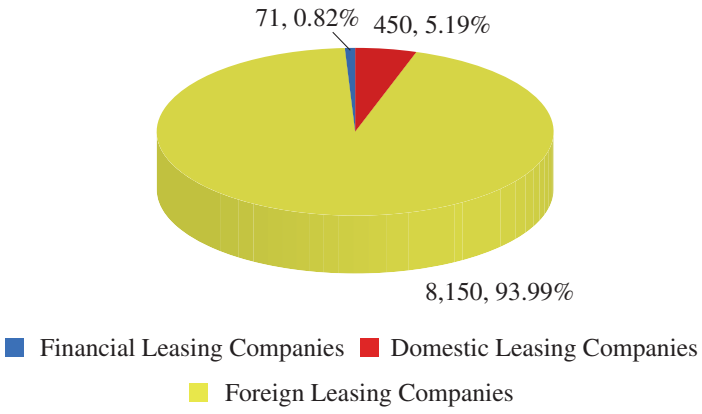
In China, financial leasing companies fall into three types, namely, financial leasing companies which are often subsidiaries of larger banks and approved by China Banking and Insurance Regulatory Commission ("**CBIRC**"), (hereinafter referred to as "**financial leasing companies**"), domestic-funded financial leasing companies (hereinafter referred to as "**domestic leasing companies**") and foreign-funded financial leasing companies (hereinafter referred to as "**foreign leasing company**"). They largely vary in time of emergence, approval authority, nature, regulatory strength and business scope. Financial leasing companies are primarily all regulated by the National Financial Regulatory Administration ("**NFRA**").

As at the end of June 2024, the total number of financial leasing companies was always 71 companies, with the lowest proportion in terms of quantity. Specifically, there has been no new financial leasing companies entered the market since 2021 after BOC Financial Leasing Co., Ltd. was established with the approval of the CBIRC that was later replaced by the newly formed NFRA in May 2023.

The number of domestic leasing companies continues to grow, but the growth rate is being slow down, and their proportion in the number of companies in the overall industry continues to increase. As at the end of June 2024, there were 450 domestic leasing companies in the industry, remaining the same in number from the end of 2023 and accounting for 5.19% of the total number. Foreign leasing companies accounted for the largest proportion but also have the largest decrease in number. This was mainly affected by the withdrawal of some foreign leasing companies from the market. As at the end of June 2024, there was a total of 8,150 foreign leasing companies, accounting for 93.99% of

the total number and representing a decrease of 180 companies, or 2.16%, from 8,330 companies as at the end of 2023.

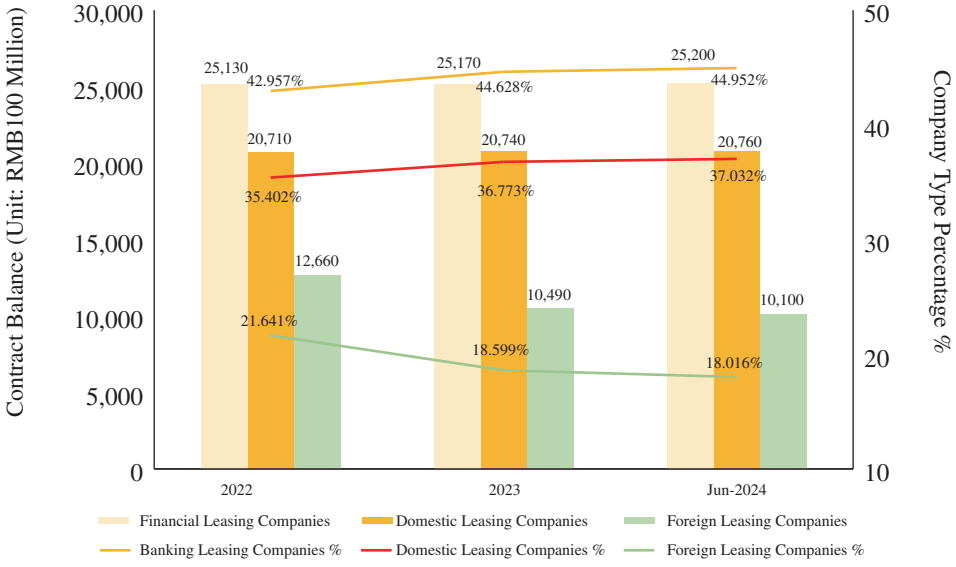
**The Composition of Leasing Companies in China as of June 2024**




*Source: 中國融資租賃資源網 (http://www.flleasing.com/)*

As of the end of June 2024, the total of the national financing leasing contract balance was RMB5,606 billion, representing a decrease of approximately 0.6% from the end of the previous year. The total financial leasing contract balance contributed by the domestic leasing companies was around RMB2,076 billion, representing approximately 37.0% of the total national financial leasing contract balance in the market.

**The Balance and Percentage of Finance Lease Contacts by Company Types from 2022 to June 2024**




*Source: 中國融資租賃資源網 (http://www.flleasing.com/) and Huajing Industry Research Institute[1] (華經產業研究院)*

In recent years, the overall regulatory environment for the leasing industry has become more stringent, for instance, on 20 September 2024, the NFRA revised and issued the Administrative Measures on Financial Leasing Companies (《金融租賃公司管理辦法》) (NFRA Order No. 6 of 2024), to further regulate finance lease business activities from the aspects of optimizing and adjusting the scope of lease assets, strengthening the supervision of the suitability of lease assets and strengthening the management of the value evaluation of lease assets.

As the global economy continues to evolve and industries upgrade, China's financial leasing industry is poised for broader market opportunities. Some development trends and prospects include:

1. **Rise of Emerging Industries and High-End Manufacturing:** The rapid development of emerging industries (such as artificial intelligence, new energy, biomedicine, etc.) and high-end manufacturing has led to increased demand for equipment upgrades and asset investment by enterprises. This will further drive the expansion of financial leasing business.

2. **Accelerated Urbanization and Infrastructure Construction:** China's urbanization process is steadily advancing, and infrastructure construction is undergoing. This provides significant development opportunities for the financial leasing industry, especially in transportation, energy, and communication sectors.

3. **Digital Transformation and Risk Compliance:** Leasing companies are actively adjusting their strategies to seek new development opportunities. Digital transformation, risk compliance, and talent development are key areas of focus. Different leasing companies may choose different development directions based on their unique characteristics.

In conclusion, China's financial leasing industry continues to grow amidst policy support and economic development, but it also faces challenges related to the changes in the financial regulatory system, the introduction of industry regulatory policies, and more market competitions. Leasing companies should proactively plan for the future and take proactive measures aligned with their specific characteristics to facilitate sustainable growth.

## 6 DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2025. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of market value: "*Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*" Unless otherwise noted, the market value of the 18.06% equity interest in the Target Company is determined on non-controlling shares and going concern bases.

## 7 GENERAL VALUATION OVERVIEW

The methods commonly used to develop approximate indications of value for a business or assets are the Income Approach, the Market Approach, and the Cost Approach.

**Income Approach**

The Income Approach focuses on the income-producing capability of a business or asset. The Income Approach measures the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The discount rate selected is generally based on rates of return available from alternative investments of similar type and quality as of the valuation date.

**Market Approach**

The Market Approach measures the value of a business or asset through an analysis of recent sales or offerings of comparable businesses or assets. Adjustments are made to account for differences between the subject business or asset being valued and the comparable businesses or assets used in the analysis.

**Cost Approach**

The Cost Approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. To the extent that the assets being valued provide less utility than new assets, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional obsolescence, and economic obsolescence. The Cost Approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

**Selected Approach**

In developing our opinion, we considered all three approaches to value for the asset types and chose the most appropriate approach or approaches for each. Our conclusions rely on the approaches judged to be most appropriate for the purpose and scope of our analysis, as well as the nature and reliability of the data available to us.

In estimating the market value of the equity interest in the Target Company, we relied primarily on the Income Approach in the form of a discounted cash flow ("**DCF**") methodology. The Income Approach could take into consideration the specific business development plans and capital injection schedule, if any, of the Target Company. Moreover, it could capture the future earning potential and expected turnaround of the business

operations of the Target Company. Hence, we considered it is fair and reasonable to adopt the Income Approach in arriving at the market value of the Target Company.

The Market Approach benchmarks the Target Company's equity value against publicly traded comparable companies, based on similarity and comparability in financial performance and business nature. However, we observed a consistent decline in the Target Company's revenue over the past three years, from approximately RMB522 million for the year ended 31 December 2022 to approximately RMB407 million for the year ended 31 December 2024, and further down to approximately RMB157 million for the six months period ended 30 June 2025. In addition, the operating profit excluding non-recurring or non-operating items, i.e. (i) other income and gains, (ii) (provision)/reversal of provision for expected credit loss allowance of other receivables and finance lease receivables, and (iii) share of results of associates, also decreased consecutively during the same period, from approximately RMB193 million in 2022 to approximately RMB36 million in 2024, and further turned into an operating loss excluding non-recurring or non-operating items of approximately RMB55 million for the six months period ended 30 June 2025. Given the deterioration and fluctuation in the Target Company's business operations and financial performance as of the Valuation Date, it is subjective to estimate a normalized financial baseline for a meaningful comparison with publicly traded comparable companies. In addition, because the Market Approach involves a high-level comparison between the Target Company and similar companies trading in the public market, it is more difficult to capture the specific characteristics (including revenue, costing, cashflows, capital investment, etc.) of the Target Company when adopting the Market Approach than adopting the Income Approach, which incorporates historical financial information and projections. Therefore, the Market Approach was not adopted in this valuation.

The Cost Approach was also not applied for the valuation of the Target Company as it tends to understate the value of an income-generating business.

The selected approaches and specific methodologies applied in the valuation are described in the related sections of this report.

## 8 ESTIMATION OF THE MARKET VALUE OF 18.06% EQUITY INTEREST IN THE TARGET COMPANY

### Introduction

In this section of our report, we describe our valuation analysis utilized to arrive at a concluded market value of the 18.06% equity interest in the Target Company.

### Valuation Approach

The DCF methodology views a company as an operating entity, with the principal focus of the analysis on the operating entity's ability to generate free cash flow in the future. Free cash flow to equity ("**FCFE**") is a measure of how much cash can be paid to

the equity shareholders of a company after all expenses, reinvestment and debt were paid. Reasonable projections of operating income, expenses, and reinvestment requirements (i.e. net working capital and capital expenditures) form the basis for estimating the future FCFE that a company will likely generate from its business. The Management has provided the financial projections of the Target Company, which formed the basis of our DCF analysis.

Our DCF analysis was based on key qualitative factors applicable to the valuation of the Target Company, outlook for the general economy of the territory in which it operates, and discussions with and projections prepared by the Management. FCFE for each year of the projection period was calculated by adding back other items affecting cash flows to net profit. Non-cash expenses, such as depreciation and amortization, were added, incremental investments in net working capital and capital expenditures were deducted, and net borrowings were added, all of which are provided by the Management.

In addition to calculating the free cash flows throughout the projection period, it was necessary to calculate the terminal value of the Target Company, which reflects the value of the equity at the end of the projection period. The terminal value was calculated by applying the Gordon Growth Model with a long-term growth rate.

The projected free cash flows, including the terminal value, were discounted to present value at an appropriate rate of return, or "discount rate". The discount rate is the rate of return that an investor would require on an investment in the business. This rate of return should reflect macroeconomic, industry, and company-specific factors that translate into the degree of perceived risk to achieve these projected results. The discount rate is discussed further in a later section of this report.

**Discounted Cash Flow Analysis**

The following paragraphs present some of the key assumptions of the financial projection used in the DCF analysis. As discussed earlier, the Management's projections are prepared for the period of financial years ending from 31 December 2025 to 31 December 2030.

**Revenue**

The projected revenue primarily comprises finance leasing income, which is estimated by the financial leasing related interest-earning assets balance multiplied by the financial leasing yield rate.

As advised by the Management, the major customers were enterprises in the Greater Bay Area, financing through direct equipment rental and after-sales rental as of the Valuation Date. The future financial leasing related interest-earning assets balance is estimated by considering the existing projects on hand, expected recovery of principal amounts from the existing projects, business development plan of the Target Company and

relevant policies of the PRC and Guangzhou to support for the industry, industry demand and development prospects, etc.

According to the 2024 assessment of the comprehensive development level of national-level economic and technological development zones conducted by the Ministry of Commerce of the People's Republic of China, the Guangzhou Economic and Technological Development Zone ranked the second, based on the comprehensive development level of 229 national-level economic and technological development zones in 2023. Guangzhou Economic and Technological Development Zone has experienced rapid economic developments, strong economic vitality and significant financing demand. Hence, it could provide a strong regional economic environment for the future growth of the Target Company. According to the unified calculation results of Guangdong Province's GDP figure released by Guangzhou Statistics Bureau, in the first half of 2025, Guangzhou city's GDP was approximately RMB1,508.10 billion, an increase of 3.8% year-on-year at constant prices.

Moreover, the Target Company will continue to develop its business and involvement in the advanced intelligent manufacturing industry and actively expand in the low-altitude economy (general aviation) to respond the national policies. This would also embrace the national economy growth potentials in the coming years and align with customers and industry needs.

Historically, the financial leasing related interest-earning assets balance amounted to approximately RMB4,932 million for the year ended 31 December 2021 and subsequently increased to approximately RMB5,909 million for the year ended 31 December 2024, representing a compound annual growth rate ("**CAGR**") of 6.21%. The balance is conservatively expected to reach RMB5,996 million by the end of 2025, which is of a slightly higher level (or a slightly increase of approximately 1.5%) than that of 2024. The Management considers this increase achievable and reasonable in view of the gradual economic recovery in the PRC, as supported by a year-on-year GDP growth rate of 5.2% in the second quarter of 2025.

Besides, as advised by the Management, it is projected that the financial leasing related interest-earning asset balance will increase by RMB300 million annually for the five years ending 31 December 2030 (the "**Annual Increment**"). Such Annual Increment is forecasted after considering, including but not limited to, the business investment leverage ratio of the Target Company of approximately 3 times as of 31 December 2024 and 30 June 2025 and the registered capital of SCFL was increased to RMB1.8 billion following an additional capital injection of RMB500 million by Science City (the controlling shareholder of the Target Company) in late 2024. Thus, this additional capital base would provide more financial supports and development rooms for the future business growth of the Target Company during the projection period. The business investment leverage ratio is calculated as the financial leasing related interest-earning assets balance divided by the net asset value of the financial statements as of the respective reporting date.

In view of the above factors regarding the Target Company's historical CAGR in financial leasing related interest-earning assets balance of 6.21%, favorable regional economic conditions in Guangzhou Economic and Technological Development Zone with historical GDP growth of Guangzhou city of 3.8%, the increase in funding capacity by Science City of RMB500 million in late 2024, the expected increase in financing demand from advanced intelligent manufacturing and other high growth industries, and the strategic initiatives promoted by the PRC government in the low-altitude economy, the Management considers the expected steady increase in the financial leasing related interest-earning assets balance by the Annual Increment from 2026 to 2030 (representing an annual growth rate of about 4% to 5%) are achievable and reasonable.

Based on the interest rate agreed upon by both financial lease parties and the interest payments of contracts signed for existing projects on hand, and combining with the Management's 2025 budget that the financial leasing related interest-earning assets balance for 2025 will increase as compared to that for 2024, and the future prospect of the industry and the current macro environment, the Management expects the financial leasing yield rate would be approximately 8.5% throughout the projected period.

The historical financial leasing related interest-earning assets balance, implied financial leasing yield rate, implied comprehensive interest rate of financing costs and implied net interest spread for the year ended 31 December 2021 to 2024 are as follows:

*(in RMB million)*

| **Year ended 31 December** | **2021** | **2022** | **2023** | **2024** |
|---|---|---|---|---|
| (A) Financial leasing related interest-earning assets balance | 4,932 | 6,190 | 5,240 | 5,909 |
| (B) Finance leasing income | 370 | 522 | 452 | 407 |
| **(C) Implied financial leasing yield rate, i.e. (B)/(A)** | **7.50%** | **8.44%** | **8.62%** | **6.88%** |
| (D) Cost of service | 181 | 257 | 279 | 275 |
| **(E) Implied comprehensive interest rate of financing costs, i.e. (D)/(A)** | **3.67%** | **4.16%** | **5.32%** | **4.66%** |
| **(F) Implied net interest spread, i.e. (C)-(E)** | **3.83%** | **4.28%** | **3.30%** | **2.23%** |

The Management considers the expected yield rate of 8.5% during the forecasted period to be reasonable and achievable, which falls within the historical range of 6.88% to 8.62%.

A financial lease company in the PRC typically generates revenue primarily from the finance leasing income collected from clients who lease assets, and also from interest and fees related to their financing activities. This income is generally generated from the

difference between the total financial leasing interest payments collected and the company's cost of funding the financial leasing assets, which often comes from various funding sources, such as, bank borrowings, asset-backed securitization, bond issuance, equity and strategic funding, etc. As such, it is a common industry practice for a financial leasing company to estimate the yield rate (i.e. the interest rate charged to clients) by applying a net interest spread (similar to a mark-up profit margin) on top of the comprehensive financing costs (i.e. the cost of funding for providing the financial leasing services) generally.

For the years ended 31 December 2021 to 2024, the average and median implied net interest spread was approximately estimated as 3.41% and 3.57% respectively. Considering an expected comprehensive financing cost of about 5% (to be discussed in the next sub-section), the expected resulting yield rate would range approximately between 8.41% and 8.57%. This aligns closely with the 8.5% yield rate as projected by the Management in general.

As advised by the Management, the projected annual revenue from the period ending 31 December 2025 to the year ending 31 December 2030 would be as follows:

*(in RMB million)*

| **Year ending 31 December** | **1 Jul to 31 Dec 2025** | **2026** | **2027** | **2028** | **2029** | **2030** |
|---|---|---|---|---|---|---|
| Financial leasing related interest-earning assets balance | 5,996 | 6,296 | 6,596 | 6,896 | 7,196 | 7,496 |
| Financial leasing yield rate | 8.5% | 8.5% | 8.5% | 8.5% | 8.5% | 8.5% |
| **Finance leasing income** | **255** | **535** | **561** | **586** | **612** | **637** |

The revenue for the six months ended 30 June 2025 was approximately RMB157 million, which was lower than the projected RMB255 million for the six months ending 31 December 2025. As advised by the Management, this was primarily due to delays in financial leasing engagements with clients, as the Target Company adopted a more cautious strategy in scrutinising and screening clients. The financial leasing income generated in the first six months ended 30 June 2025 was, thus, relatively smaller; however, the interest-earning assets balance built up will continue to generate incomes in the second half of 2025. Hence, the Management expected the incomes will increase significantly in the second half of 2025.

Moreover, the Management advised that the Target Company will continue focusing its investments on key potential growth areas, including smart manufacturing, the low-altitude economy (general aviation) and the industrial robots industry. These efforts are expected to drive business growth from the second half of 2025 and onwards.

The Target Company is deepening its involvement in the province's advanced smart manufacturing sector by implementing zoning management, focusing on leading companies in the industry, and assigning staff for cyclical follow-up with clients. As of 30 June 2025, the Target Company had invested approximately RMB490 million in smart manufacturing projects and plans to deploy more in the coming years.

In line with national policies, the Target Company has been expanding its presence in the low-altitude economy, focusing on areas with mature business models, such as emergency rescue and low-altitude tourism. It will enhance business promotion in aircraft leasing and sales, as well as aviation material support, to promote the long-term development of this business segment. As of 30 June 2025, the Target Company's investment in the low-altitude economy projects reached RMB470 million, and the Management expects to further increase the investment by nearly RMB250 million by the end of 2025.

Regarding the industrial robots, driven by the strong demand for automated production, especially in challenging environments requiring high-intensity and long-duration work, the Target Company has seized this opportunity and launched the industrial robot leasing business. It has received positive client responses and has approximately RMB400 million potential engagements for the second half of 2025.

Based on these new initiatives, the Management considers the projection of finance leasing income of RMB255 million in the second half of 2025 and the growth maintained throughout the forecasted period are achievable and reasonable.

**Cost of Service**

The projected cost of service primarily comprises of comprehensive financing costs, which is estimated as by the financial leasing related interest-earning assets balance multiplied by the comprehensive interest rate of financing costs.

The Management has analyzed the financing costs of finance leasing enterprises in recent years, and the historical financing interest rates, which was dependent on the financing channels and the macro basic interest rate level, was approximately between 4% and 5.5% per annum. Considering the current level of interest rate is at a relatively low level as of the Valuation Date, the Management expects the long-term comprehensive financing cost will remain at 5.0% throughout the projected period.

The projected annual cost of service from the period ending 31 December 2025 to the year ending 31 December 2030 would be as follows:

*(in RMB million)*

| Year ending 31 December | 1 Jul to 31 Dec 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Financial leasing related interest-earning assets balance | 5,996 | 6,296 | 6,596 | 6,896 | 7,196 | 7,496 |
| Comprehensive interest rate of financing costs | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% | 5.0% |
| **Cost of service** | **150** | **315** | **330** | **345** | **360** | **375** |

**Business Taxes and Surcharges**

As advised by the Management, the projected business taxes and surcharges comprise urban maintenance and construction tax, education surcharge and local education surcharge, vehicle and vessel tax, and stamp duty, etc. The effective business taxes and surcharges rate to revenue adopted is approximately 0.46% throughout the projected period. The projected annual business taxes and surcharges from the period ending 31 December 2025 to the year ending 31 December 2030 would then be as follows:

*(in RMB million)*

| Year ending 31 December | 1 Jul to 31 Dec 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Business taxes and surcharges | 1 | 2 | 3 | 3 | 3 | 3 |

The historical business taxes and surcharges as % of finance leasing income for the years ended 31 December 2021 to 2024 are as follows:

| Year ended 31 December | 2021 | 2022 | 2023 | 2024 |
|---|---|---|---|---|
| Business taxes and surcharges (% of finance leasing income) | 0.24% | 0.72% | 0.55% | 0.50% |

For the years ended 31 December 2021 to 2024, the average business taxes and surcharges as % of finance leasing income was 0.50%, which was in line with the effective business taxes and surcharges rate of 0.46% as projected by the Management.

**Operating Expenses**

The projected operating expenses, excluding depreciation and amortization, comprise selling expenses, administrative expenses, rental expense and asset impairment losses. As projected by the Management, the selling expenses and administrative expenses are expected to remain steady at a portion of approximately 5% and 4% of the projected annual revenue respectively.

The historical selling expenses and administrative expenses as % of finance leasing income for the year ended 31 December 2021 to 2024 are as follows:

| **Year ended 31 December** | **2021** | **2022** | **2023** | **2024** |
|---|---|---|---|---|
| Selling expenses (% of finance leasing income) | 4.7% | 3.4% | 4.0% | 5.6% |
| Administrative expenses (% of finance leasing income) | 5.5% | 4.2% | 4.9% | 5.0% |

From year ended 31 December 2021 to 2024, the selling expenses ranged from approximately 3.4% to 5.6% of the corresponding finance leasing income, and the administrative expenses ranged from approximately 4.2% to 5.5% of the corresponding finance leasing income.

As advised by the Management, the selling expenses increased considerably for the year ended 31 December 2024 mainly due to higher bonuses and commissions accrued and paid in the year. Considering the periodicity of the release of these bonus and commission payments, the future employee bonuses and commissions is planned to be evenly distributed across each year. Based on the average historical selling expenses of about 4.4% of finance leasing income for the years ended 31 December 2021 to 2024, the Management believes it is fair and reasonable to assume the selling expenses will approximate 5% of the projected finance leasing income in general.

In addition, the Management expects economies of scale and greater efficiency in the overall operations along with the business grows over the next five years. Administrative expenses, which the Management has taken into consideration the future management and operation team size and average wage growth of local staff, are projected to increase at a slower rate than that of the finance leasing income. With cost and operation efficiencies anticipated, the Management considers the expected administrative expenses, as approximately 4% of the projected finance leasing income, are fair and reasonable in general.

The rental expense is estimated based on the existing rental agreement entered into by the Target Company. The asset impairment losses refer to the expected loss caused by the book value of an asset being higher than its recoverable amount. Based on the average historical loss rate of the Target Company over the past few years and with reference to the

industry's bad debt rate announced by the Leasing Industry Working Committee of the China Foreign Investment Enterprise Association (中國外商投資企業協會租賃業工作委員會), the Management expects the asset impairment losses due to the expected bad debt or credit losses would be maintained approximately at 0.8% of the projected financial leasing related interest-earning assets balance.

The total annual operating expenses, excluding depreciation and amortization, from the period ending 31 December 2025 to the year ending 31 December 2030 would be as follows:

*(in RMB million)*

| Year ending 31 December | 1 Jul to 31 Dec 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Selling expenses | 13 | 27 | 27 | 28 | 29 | 30 |
| Administrative expenses | 11 | 22 | 22 | 23 | 23 | 24 |
| Rental expense | 1 | 3 | 3 | 3 | 4 | 4 |
| Asset impairment losses | 24 | 50 | 53 | 55 | 58 | 60 |
| **Total operating expenses** | **49** | **102** | **105** | **109** | **113** | **117** |

**Capital Expenditure ("CAPEX")**

The projected CAPEX is estimated by the Management after taking into consideration the business nature and future development plan. The financial leasing business of the Target Company is relatively asset-light in terms of fixed assets and intangible assets, and the future CAPEX injection will be for the maintenance of existing fixed assets and intangible assets for the operation of the Target Company. Therefore, it is expected that the future CAPEX required to be invested in a year would be at a similar level of the historical and expected annual depreciation and amortization of the Target Company in the prior year, as shown as follows:

*(in RMB million)*

| Year ending 31 December | 1 Jul to 31 Dec 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Total CAPEX | 1.5 | 1.7 | 2.0 | 2.1 | 2.3 | 2.1 |

**Depreciation and Amortization ("D&A") Expenses**

The projected depreciation and amortization expenses are estimated by the Management based on the existing fixed assets, existing intangible assets, long term deferred expenses and future CAPEX to be invested for the business operation of the Target Company. The D&A expenses are expected to be around RMB1.4 million to RMB3 million for the period ending 31 December 2025 to the year ending 31 December 2030 as shown as follows:

*(in RMB million)*

| Year ending 31 December | 1 Jul to 31 Dec 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| D&A expenses | 1.4 | 2.7 | 2.1 | 2.3 | 2.1 | 2.0 |

**Finance Cost/Interest Expenses**

As advised by the Management, the projected finance cost/interest expenses of the Target Company would be the handling fee and other expenses, as follows:

*(in RMB million)*

| Year ending 31 December | 1 Jul to 31 Dec 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Finance cost/Interest expenses | 0.0 | 0.1 | 0.1 | 0.1 | 0.1 | 0.1 |

As the increases in the financial leasing related interest-earning assets balance by the Annual Increment from 2026 to 2030 have been included in the total financial leasing related interest-earning assets balance for the corresponding years from 2026 to 2030, the related finance cost/interest expenses regarding the increase in the cost of funding to support the increase in financial leasing related interest-earning assets balance by the Annual Increment have already been included in the comprehensive financing costs under the "Cost of Service" aforementioned.

**Income Tax Expense**

As advised by the Management, the applicable income tax rate of the Target Company is the income tax rate of the PRC of 25%.

**Net Working Capital ("NWC")**

The net working capital requirements of the Target Company are projected by the Management based on working capital requirements to support the operation and development of the Target Company. The major components of the NWC estimation during the projection period is forecasted as follows:

*(in RMB million)*

| Year ending 31 December | As of 30 Jun 2025 | 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|---|
| Long-term receivables *(Note 3)* | 6,210 | 5,996 | 6,296 | 6,596 | 6,896 | 7,196 | 7,496 |
| Other non-current financial assets | 228 | 228 | 228 | 228 | 228 | 228 | 228 |
| Prepayment | 14 | 1 | 1 | 1 | 1 | 1 | 2 |
| Other receivables | 7 | 6 | 7 | 7 | 7 | 8 | 8 |
| Unutilized financial leasing funding *(Note 2)* | 579 | – | – | – | – | – | – |
| Accounts payable | (3) | (3) | (3) | (3) | (3) | (4) | (4) |
| Notes payable | (14) | (16) | (17) | (17) | (18) | (19) | (20) |
| Employee compensation payable | (11) | (10) | (11) | (11) | (11) | (12) | (12) |
| Taxes payable | (2) | (7) | (7) | (8) | (8) | (9) | (9) |
| Other payables | (4) | (1) | (1) | (1) | (1) | (1) | (1) |
| **Total NWC** | **7,005** | **6,195** | **6,494** | **6,792** | **7,091** | **7,390** | **7,689** |
| **Change in NWC** | | **(810)** *(Note 1)* | **299** | **299** | **299** | **299** | **299** |

*Notes:*

1. Change in NWC is estimated between the NWC balance of RMB7,005 million as of the Valuation Date and that forecasted for year ending 31 December 2025 of RMB6,195 million.

   The expected change in NWC from the Valuation Date to 31 December 2025, resulting in a net cash inflow, is primarily due to the decrease in long-term receivables and the decrease in or the repayment of unutilized financial leasing funding from the Valuation Date to 31 December 2025 as assumed by one of the major assumptions that any unutilized financial leasing funding will be repaid during the forecasted period so as to support the financial leasing related assets with sufficient financial leasing funding for a sustainable business development and sound asset and liability management.

2. The unutilized financial leasing funding, estimated at approximately RMB579 million, is calculated as the difference between the borrowings and financial leasing related operating liabilities excluding lease liabilities, totaling RMB7,018 million, and the financial leasing related long-term receivables and other non-current financial assets, totaling RMB6,439 million. These figures are based on the unaudited consolidated management accounts of the Target Company as of 30 June 2025.

   As a major assumption in this valuation that any unutilized financial leasing funding will be repaid during the forecasted period, the total financial leasing related assets are expected to remain the same level as the total financial leasing related funding liabilities. Therefore, there will be no unutilized financial leasing funding in the projections, and thus no related NWC changes afterwards.

3. As advised by the Management, the long-term receivables represent finance lease receivables. Based on the unaudited consolidated management accounts of the Target Company as of 30 June 2025, the long-term receivables amounted to approximately RMB6,210 million. Compared to RMB5,909 million as of 31 December 2024, the increase in long-term receivables balance was mainly attributable to more client engagements in June 2025. The revenue contribution from these client engagements for the six months ended 30 June 2025 was limited and relatively smaller, but the long-term receivables balance increased once after the contract amount of the financial leasing facility was provided. The Management advised that there will be certain recoveries of long-term receivables from 30 June 2025 to 31 December 2025. As such, the long-term receivables balance is expected to decrease from RMB6,210 million as of 30 June 2025 to RMB5,996 million as of 31 December 2025, which is consistent as the projected financial leasing related interest-earning assets balance for the year ended 31 December 2025.

The other non-current financial assets primarily consist of asset-based securities with financial leasing receivables and the underlying physical assets as collateral, and trust industry guarantee funds. As advised by the Management, these other non-current financial assets are receivables arising from the Target's Company's financial leasing activities.

**Net Borrowings**

As advised by the Management and with reference to the unaudited consolidated management accounts of the Target Company for the six months period ended 30 June 2025, the Target Company has a total of RMB7,029 million borrowings and financial leasing related operating liabilities, including short-term borrowings, long term borrowings, other non-current liabilities, other long-term liabilities, long-term payables and lease liabilities. Given the projected financial leasing related interest-earning assets balance would increase from about RMB5,996 million for the year ending 31 December 2025 to about RMB7,496 million for the year ending 31 December 2030, it is expected that the borrowings and financial leasing related operating liabilities balance will increase accordingly, with new borrowings of RMB300 million per year from 2026 to 2030, to support the operation and future development of the Target Company. Details of the projected borrowings and financial leasing related operating liabilities balance and net borrowings are shown as follows:

*(in RMB million)*

| **Year ending 31 December** | **2025** | **2026** | **2027** | **2028** | **2029** | **2030** |
|---|---|---|---|---|---|---|
| Beginning balance | 7,029 | 6,225 | 6,525 | 6,825 | 7,125 | 7,425 |
| Add: New borrowings | – | 300 | 300 | 300 | 300 | 300 |
| Less: Repayments | (804) | – | – | – | – | – |
| Ending balance | 6,225 | 6,525 | 6,825 | 7,125 | 7,425 | 7,725 |
| Net borrowings | (804) *(Note)* | 300 | 300 | 300 | 300 | 300 |

*Note:* The negative net borrowings of RMB804 million represent the repayment of unutilized borrowings and financial leasing related operating liabilities balance expected to occur between the Valuation Date and 31 December 2025. It is estimated based on the difference between the borrowings and financial leasing related operating liabilities, totaling RMB7,029 million, based on the unaudited consolidated management accounts of the Target Company as of 30 June 2025, and total balance of the financial leasing related interest-earning assets balance of RMB5,996 million and other non-current financial assets of RMB228 million, totaling approximately RMB6,225 million, as projected by the Management as of 31 December 2025.

**Net Profit**

Projected net profit of the Target Company from the period ending 31 December 2025 to the year ending 31 December 2030 is as follows:

*(in RMB million)*

| Year ending 31 December | 1 Jul to 31 Dec 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Revenue | 255 | 535 | 561 | 586 | 612 | 637 |
| Less: Cost of Service | (150) | (315) | (330) | (345) | (360) | (375) |
| Less: Business taxes and surcharges | (1) | (2) | (3) | (3) | (3) | (3) |
| **Gross Profit** | **104** | **218** | **228** | **239** | **249** | **259** |
| Less: Operating expenses, excluding D&A expenses | (49) | (102) | (105) | (109) | (113) | (117) |
| Less: D&A expenses | (1.4) | (2.7) | (2.1) | (2.3) | (2.1) | (2.0) |
| **Earnings Before Interest and Taxes** | **53** | **114** | **121** | **127** | **134** | **140** |
| Less: Finance cost/Interest expenses | (0.0) | (0.1) | (0.1) | (0.1) | (0.1) | (0.1) |
| **Profit Before Tax** | **53** | **113** | **121** | **127** | **134** | **140** |
| Less: Income Tax Expense | (8) | (28) | (30) | (32) | (33) | (35) |
| **Net Profit** | **45** | **85** | **90** | **95** | **100** | **105** |

**Cash Flow to Equity**

The FCFE for each year of the projection period was calculated with formula as follows:

FCFE = Net Profit + D&A expenses – CAPEX – Change in NWC + Net Borrowings

*(in RMB million)*

| Year ending 31 December | 1 Jul to 31 Dec 2025 | 2026 | 2027 | 2028 | 2029 | 2030 |
|---|---|---|---|---|---|---|
| Net Profit | 45 | 85 | 90 | 95 | 100 | 105 |
| Add: D&A expenses | 1.4 | 2.7 | 2.1 | 2.3 | 2.1 | 2.0 |
| Less: CAPEX | (1.5) | (1.7) | (2.0) | (2.1) | (2.3) | (2.1) |
| Less: Change in NWC | 810 | (299) | (299) | (299) | (299) | (299) |
| Add: Net Borrowings | (804) | 300 | 300 | 300 | 300 | 300 |
| **FCFE** | **51** | **87** | **92** | **97** | **101** | **106** |

**Terminal Value**

The terminal value was calculated by applying the Gordon Growth Model assuming that the business will grow at a long-term growth rate of about 2% perpetually after the forecast period with formula as follows:

Terminal Value : $FCFE_{n+1}$ / (Discount Rate – Long-term Growth Rate)

where
$FCFE_{n+1}$ is the Free Cash Flow to Equity in the year following the forecast period (i.e. year $_{n+1}$); and

Long-term growth rate is based on the International Monetary Fund ("**IMF**") forecasted inflation rate of China for year 2030 sourced from Bloomberg.

The terminal value is calculated as follows:

| | *RMB million* |
|---|---|
| $FCFE_{2031}$ | 108 |
| | (≈ $FCFE_{2030}$ x (1+ Long-term Growth Rate)) |
| Discount Rate | 14% |
| Long-term Growth Rate | 2% |
| **Terminal Value** | **902** |

*Note:* Variation in figures may due to rounding.

**Equity Value**

The FCFE in each year of the projection period together with the terminal value were discounted to present value using the discount rate and summed to arrive at the derived equity value of the Target Company. The equity value of the Target Company derived from DCF methodology (marketable and controlling basis) is calculated as follows:

*(in RMB million)*

| **Year ending 31 December** | **1 Jul to 31 Dec 2025** | **2026** | **2027** | **2028** | **2029** | **2030** |
|---|---|---|---|---|---|---|
| FCFE | 51 | 87 | 92 | 97 | 101 | 106 |
| Terminal Value | | | | | | 902 |
| **Total of FCFE and Terminal Value** | **51** | **87** | **92** | **97** | **101** | **1,009** |
| Discount Rate | 14.0% | 14.0% | 14.0% | 14.0% | 14.0% | 14.0% |
| Discount Period | 0.25 | 1.00 | 2.00 | 3.00 | 4.00 | 5.00 |
| Discount Factor | 0.97 | 0.88 | 0.77 | 0.67 | 0.59 | 0.52 |
| **PV of FCFE** | **49** | **77** | **71** | **65** | **60** | **524** |
| **Sum of PV of FCFE (i.e. Equity value derived (marketable and controlling basis)** | **846** | | | | | |

We then adjusted the derived equity value of the Target Company with discount for lack of marketability and discount for lack of control to account for the fact that the Target Company is a private company and the 18.06% equity interest in the Target Company as of the Valuation Date is determined on a non-controlling basis. Furthermore, the derived equity value of the Target Company was adjusted with non-operating assets/(liabilities) to arrive at the concluding equity value of the Target Company.

**Discount for Lack of Marketability ("DLOM")**

The value of privately held shares is not directly comparable to the value of publicly traded securities. This is due to the fact that shareholders of privately held companies do not have the same access to trading markets that shareholders of publicly traded companies enjoy. Therefore, the market value of the ordinary shares must be adjusted to reflect its lack of liquidity and ready market.

A number of research studies including restricted stock studies have attempted to quantify marketability discounts. Restricted stock studies are performed by comparing the prices at which a restricted stock trades vis-à-vis its publicly traded counterpart. A restricted stock is one that is identical to its company's publicly traded issue but carries a short-term restriction on marketability. In the case of transfers of restricted stock, these studies provide evidence for the application of a discount placed on illiquid investments.

Based on Stout Restricted Stock Study Companion Guide 2024 published by Stout Risius Ross, LLC, a DLOM of approximately 15.60% has been adopted.

**Discount for Lack of Control ("DLOC")**

A control premium is the premium an investor is willing to pay in addition to a marketable controlling equity value to obtain controlling interest in a business subject; whilst a discount for lack of control refers to the discount of value due to lack of management control power over a company for minority shareholders. The value derived from the DCF methodology represents a controlling basis, therefore adjustment has been made to reflect the degree of control associated with 18.06% equity interest in the Target Company.

Based on the FactSet/BVR Control Premium Study 4th Quarter, 2024 published by Business Valuation Resources, LLC, a DLOC of approximately 14.7% has been adopted. This represents the median minority discount on equity for transactions in 2024 involving minority interests ranging from 0.1% to 25% according to the study.

**Summary of Calculation**

Details of the calculation of the market value of the Target Company were illustrated as follows:

**As of 30 June 2025**

| | *RMB'000* |
|---|---|
| **Equity Value derived from DCF Methodology (marketable and controlling basis)** | **845,607** |
| Less: DLOM | (131,915) |
| Less: DLOC | (124,304) |
| **Equity Value (non-marketable and non-controlling basis)** | **589,388** |
| Add/(Less): Non-Operating Assets/(Liabilities) | 1,599,148 |
| **Market Value of 100% Equity Interest in the Target Company** | **2,188,536** |
| **Market Value of 18.06% Equity Interest in the Target Company (rounded)** | **395,000** |

*Note:* The total may not sum up or variation due to rounding.

Details of the non-operating assets and non-operating liabilities of the Target Company are as follows:

| **Non-Operating Assets/(Liabilities) Items** | **Amount** *(RMB'000)* | **Nature** |
|---|---|---|
| Other Receivables | 1,336,520 | Amounts due from ultimate holding company and fellow subsidiaries |
| Other Receivables | 3,500 | Dividends receivables from an associate |
| Other Current Assets | 8,531 | Tax recoverable |
| Financial Asset Held for Trading | 3,289 | Derivative financial assets |
| Long Term Investments | 269,067 | Investments in an associate and an investment fund partnership (limited partnerships) |
| Deferred Tax Assets | 87,992 | Deferred tax assets |
| Other Payables | (48) | Amounts due to fellow subsidiaries |
| Other Payables | (74,155) | Dividends payables |
| Other Current Liabilities | (32,092) | Other tax payables |
| Deferred Tax Liabilities | (3,458) | Deferred tax liabilities |
| **Total** | **1,599,148** | |

*Note:* The amounts are based on the unaudited consolidated management accounts of the Target Company as of 30 June 2025.

## 9 DETERMINATION OF THE DISCOUNT RATE

### Introduction

Since the Income Approach measures the value of an asset as the present value of its future economic benefits, application of this approach necessitates the development of an appropriate discount rate. We estimated a market derived cost of equity ("**COE**"), which was then adopted in determining the appropriate discount rate in the valuation of the equity.

### Cost of Equity

In estimating the COE, we considered market data concerning the companies that engaged in similar business of the Target Company. The selection of comparable companies is by understanding the principal business of the valuation target and search for public companies with businesses as similar with the valuation target as possible. Generally speaking, companies in the same geographical location are preferred, followed by expansion to other geographical locations if same geographic location yield no meaningful results.

We searched for listed companies with business scopes and operations similar to those of the Target Company as comparable companies on best-effort basis with reference to the following selection criteria:

- The companies are principally engaged in operation of financial leasing in the PRC, which is close to the business activities of the Target Company;

- Over 50% of the total revenue of the companies were generated from financial leasing in their preceding financial year;

- The companies have pertinent operating histories of more than three years in financial leasing in the PRC, and their shares are listed and traded (not suspended from trading) on stock exchange as of the Valuation Date with more than three years of listing history; and

- The financial information and relevant market data of the companies are available to the public.

We have identified an exhaustive list of seven comparable companies that fulfilled the selection criteria set forth above. The following table presents the business descriptions of the comparable companies adopted in the valuation of the equity interest in the Target Company:

| Company | Business Description |
|---|---|
| Zhongguancun Science-Tech Leasing Co., Ltd. (1601 HK Equity) | Zhongguancun Science-Tech Leasing Co., Ltd. offers financial leasing services. The company provides direct leasing, leaseback, and other related services. Zhongguancun Science-Tech Leasing focuses on big data, big environment, great health, and big consumption areas. |
| Haitong Unitrust International Financial Leasing Co., Ltd. (1905 HK Equity) | Haitong Unitrust International Financial Leasing Co., Ltd. offers financial leasing services. The company provides industrial equipment leasing, commercial equipment leasing, medical equipment leasing, and other services. Haitong Unitrust International Financial Leasing also provides its services to Hong Kong, Switzerland, Ireland, South Korea, Philippines, and other countries and regions. |
| Far East Horizon Limited (3360 HK Equity) | Far East Horizon Limited is a financial services provider. The company specializes in providing financing solutions through equipment-based financial leasing. Far East currently targets industries that include healthcare, education, infrastructure construction, shipping, printing and machinery industries. |
| Capital Industrial Financial Services Group Limited (730 HK Equity) | Capital Industrial Financial Services Group Limited operates as an investment holding company mainly engaged in collateral financing business. The company provides collateral financing, financial advisory, property leasing, and other services. Capital Industrial Financial Services Group conducts businesses in Hong Kong. |

| Company | Business Description |
|---|---|
| Metropolis Capital Holdings Limited (8621 HK Equity) | Metropolis Capital Holdings Limited offers finance leasing services. The company leases vehicles, machinery, equipment, and other products. Metropolis Capital Holdings provides its services throughout China. |
| Anhui Xinli Finance Co., Ltd. (600318 CH Equity) | Anhui Xinli Finance Co., Ltd. operates in the financial services industry. The company offers financial guarantees., small loans, pawns, financial leasing, and online finance services. |
| Jiangsu Financial Leasing Co., Ltd. (600901 CH Equity) | Jiangsu Financial Leasing Co., Ltd. provides financial leasing services. The company provides financial leasing, financing transfer, lease guarantee, and other services. Jiangsu Financial Leasing also offers fixed income securities investment, rental deposit, economic consulting, and other services. |

*Source: Bloomberg*

In order to estimate the current market yield required on equity, we applied the Capital Asset Pricing Model ("**CAPM**") adjusted for specific risks associated with the industry. The CAPM is a generally accepted method for estimating investors' yield requirement and hence a company's cost of equity capital. The CAPM is represented by the following algebraic equation:

CAPM = Risk-Free Rate + (Relevered Beta x Market Risk Premium) + Size Premium + Company-Specific Risk Premium

The following discusses the inputs used in the CAPM formula.

Risk-Free Rate of Return – Based on available information, the yield on the long-term government bond in the country of the business as of the Valuation Date was adopted. Government bonds are considered risk-free because if held to maturity, default risk is assumed to be negligible. The 10-year government bond yield of the PRC about 1.65 percent as of the Valuation Date as extracted from Bloomberg was adopted.

Beta – Beta is a measure of relative risk associated with an investment in a particular company as compared to the risk associated with an investment in a diversified portfolio of common stocks. Betas are available only for publicly traded companies. We reviewed the betas of the guideline companies discussed above to ascertain a proxy for an industry beta. Once the industry beta was estimated, the beta was relevered with the industry's average debt-to-equity ratio. The average debt-to-equity ratio was about 4.44 and relevered beta was about 1.87.

The debt-to-equity ratios of the comparable companies as of the Valuation Date are as follows:

| **Comparable Company** | **Debt-to-Equity Ratio** |
|---|---|
| Zhongguancun Science-Tech Leasing Co., Ltd. (1601 HK Equity) | 6.95 |
| Haitong Unitrust International Financial Leasing Co., Ltd. (1905 HK Equity) | 11.46 |
| Far East Horizon Limited (3360 HK Equity) | 8.93 |
| Capital Industrial Financial Services Group Limited (730 HK Equity) | 0.02 |
| Metropolis Capital Holdings Limited (8621 HK Equity) | 0.00 |
| Anhui Xinli Finance Co., Ltd. (600318 CH Equity) | 0.36 |
| Jiangsu Financial Leasing Co., Ltd. (600901 CH Equity) | 3.39 |
| **Average** | **4.44** |

*Source: Bloomberg*

Market Risk Premium – The market risk premium is the expected return on a diversified, market-weighted portfolio of common stocks less the expected return on a long-term risk-free bond. The market risk premium of the PRC of about 5.27 percent as of the Valuation Date as sourced from Damodaran Online was adopted.

Size Premium – A small size risk premium is utilized to reflect the extra risk of an investment in a small company. The size of the Target Company falls in the 9th decile according to the CRSP Deciles Size Study and therefore, we utilized a size premium of 1.73 percent, which is extracted from the Kroll Cost of Capital Navigator.

Company Specific Risk Premium – In certain situations, an incremental or company risk factor, in addition to the equity risk and small size risk premiums cited above may be appropriate. For this appraisal, company-specific risk premium of 1 percent was adopted with a consideration of the forecast risks/uncertainly associated with achievability of the projection of the Target Company.

By applying the CAPM using the inputs discussed above, the COE of the Target Company as of the Valuation Date was determined to be approximately 14 percent.

## 10 SENSITIVITY ANALYSIS

A sensitivity analysis on the market value of 18.06% equity interest in the Target Company was performed as below, assuming various levels of discount rate applied and long-term growth rate applied throughout the projected period.

| Discount Rate Applied | Market Value of 18.06% Equity Interest in the Target Company *(RMB'000)* |
|---|---|
| 12% | 415,783 |
| 13% | 404,580 |
| 14% | 395,250 |
| 15% | 387,360 |
| 16% | 380,602 |

| Long-Term Growth Rate Applied | Market Value of 18.06% Equity Interest in the Target Company *(RMB'000)* |
|---|---|
| 0% | 385,478 |
| 1% | 389,987 |
| 2% | 395,250 |
| 3% | 401,470 |
| 4% | 408,937 |

## 11 MAJOR ASSUMPTIONS

In this appraisal, a number of assumptions have to be made in order to sufficiently support our concluded value of the Target Company. Any deviation from the below major assumptions may significantly vary the valuation result. The major assumptions adopted in this appraisal are:

- Unaudited consolidated management accounts of the Target Company for the six months period ended 30 June 2025 as provided by the Management can reasonably represent its financial position and performance of the Target Company as of the Valuation Date since audited financial accounts as of the Valuation Date was not available;

- It is assumed the total balance of the borrowings and financial leasing related operating liabilities of the Target Company will be maintained at the same level as the total balance of its financial leasing related long-term receivables and other non-current financial assets to support the operation and future development of the Target Company over the forecasted period. Any unutilized borrowings and financial leasing related operating liabilities will be repaid;

- There will be no major changes in the current taxation laws in the territories (the "**Territories**") in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic or financial conditions in the Territories in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the Target Company;

- The Target Company will retain and have competent management, key personnel, and technical staff to support its ongoing operation;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company operates or intends to operate has or would be officially obtained and renewable upon expiry;

- Industry trends and the market conditions for related industries will not deviate significantly from economic forecasts; and

- All information and representations provided by the Management, for which they are solely and wholly responsible for are true, accurate and complete in all material respect.

## 12 CONCLUSION OF VALUE

Based on the information provided and the analysis conducted, and subject to the Major Assumptions and Statement of Limiting Conditions, our opinion of the market value of the 18.06% equity interest in the Target Company as of 30 June 2025 is reasonably represented in the amount of approximately, **RENMINBI THREE HUNDRED NINETY FIVE MILLION ONLY (RMB395,000,000).**

This report and the observations and analyses are intended solely for use by the Group for the purpose of assisting the Management of the Group to assess the market value of the 18.06% equity interest in the Target Company as of the Valuation Date and are not to be reproduced, disseminated or disclosed, in whole or in part, to any other party except in accordance with the terms of our engagement letter. The information contained in this report may include proprietary, sensitive and confidential information that has not been publicly disclosed. Release of this information to any other party could be damaging to the Group.

Yours faithfully,
For and on behalf of
**International Valuation Limited**

Prepared and analyzed by:
**Winnie Lam**, *CFA*
**Kevin Kwong**, *CFA, CVA, FRM*

*Ms. Winnie Lam has more than ten years of experience in valuation and financial analyses, including business valuation, valuation of intangible assets, financial instruments, natural resources projects and purchase price allocation. Ms. Lam is a charter holder of Chartered Financial Analyst (CFA) and she graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration, double-major in finance and management of organizations.*

*Mr. Kevin Kwong has more than ten years of experience in business valuation, intangible assets valuation, purchase price allocation, and impairment tests for financial reporting and transaction reference purposes. Mr. Kwong is a charter holder of Chartered Financial Analyst (CFA), Chartered Valuer and Appraiser, Singapore (CVA) and Financial Risk Manager (FRM).*

## 13 STATEMENT OF LIMITING CONDITIONS

This analysis is subject to the following limiting conditions:

1. This appraisal report cannot be included or referred to in any prospectus, offering memo, loan agreement, registration statement, regulatory authority filings, legal and court proceedings or other public documents without prior written consent from International Valuation Limited ("**IVL**").

2. This report has been made only for the purpose stated and shall not be used for any other purpose. The information contained in this report is specific to the needs of the Group and for the intended use stated in this report. Neither IVL nor the appraiser is responsible for unauthorized use of this report. Neither this report nor any portions thereof (including, without limitations, any conclusions, the identity of IVL or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties other than the Group, its financial accounting firm and attorneys, regulatory authorities, by any means without the prior written consent and approval of IVL. We assume no responsibilities or liabilities for any losses incurred as a result of unauthorized circulation, publication or reproduction of this report in any form and/or if used contrary to the purpose stated therein.

3. Information furnished by others or taken from Group's reports and records, standard reference manuals, publications and other sources, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information. We do not accept any responsibilities for any errors or omissions in the information or any consequence liabilities arising from commercial decision or actions resulting from them.

4. IVL assumes no responsibility for legal matters including interpretations of either the law or contracts. No investigation has been made of, and no responsibility is assumed for, the legal description, or for legal matters regarding the valuation subject.

5. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the valuation date hereof.

6. The date of value to which the estimate, conclusions and opinion expressed in this report applies is set forth in the beginning of this report. This appraisal is valid only for the valuation date indicated. Our value opinion is based on the purchasing power of the reporting currency as of this date. The opinion of value is estimated based on the financial conditions prevailing as of the date of this appraisal.

7. For events that occur subsequent to the appraisal date hereof, no responsibility is taken and no obligation is assumed to revise this report to reflect the impact, if any, of these events or changing conditions as they may have upon the subject although we reserve the right to do so. Neither IVL nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony or appear in court or other legal proceedings unless specific arrangements therefore have been made.

8. It is assumed that all required licenses, certificates, or other legislative or administrative authority from any local, or national government or private entity or organization have been, or can readily be obtained, or renewed for any use on which the value estimates provided in this report are based.

9. We have made no investigation of and assumed no responsibility for the ownership or any liabilities against the valuation subject. Responsible ownership and competent management are assumed.

10. Any allocation in this report of the total valuation among components of the valuation subject and the weighting of the reported values among the various appraisal approaches applies only to the program of utilization stated in this report. The separate values for any components or approaches may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.

11. This appraisal report might not include full discussions of the data, reasoning, and analyses that were used in the valuation process to develop the appraiser's estimate of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the Group and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

12. Our valuation is only any an indicative quantum at which interests in the valuation subject might be reasonably be expected to be sold or disposed at the Valuation Date and may be different from the actual transacted price.

13. To the best of our knowledge and belief, the statements of fact contained in this report are true and correct; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are impartial, and unbiased professional analyses, opinions, and conclusions.

14. Neither IVL nor any individual signing or associated with this report has any present or prospective interest in the valuation subject of this report and with respect to the parties involved. IVL or any individual signing or associated with this report has no bias with respect to the valuation subject of this report or to the parties involved with this assignment. The engagement in this assignment was not contingent upon developing or reporting predetermined results. The compensation of IVL or any individual signing or associated with this report for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the Group, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

* *The English names of Chinese entities are translations of their Chinese names and are included in this report for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

INTERNATIONAL VALUATION LIMITED
國 際 評 估 有 限 公 司

11 November 2025

The Board of Directors
**Royale Home Holdings Limited**
Room 607, 6/F
Tsim Sha Tsui Centre West Wing
66 Mody Road, Tsim Sha Tsui East
Kowloon
Hong Kong

Ref: 20252525

Dear Sir and Madam,

International Valuation Limited ("**IVL**") has concluded its analysis on the 100% equity interest in Guangdong Hengcheng Furniture Co., Ltd. (廣東恒誠傢俬有限公司) (the "**Target Company**"). The purpose of this engagement is to estimate the market value of the 100% equity interest in the Target Company as of 30 June 2025 (the "**Valuation Date**") after the reorganisation.

Our work is designed solely to assist the management (the "**Management**") of Royale Home Holdings Limited (the "**Company**") and its subsidiaries (together as the "**Group**") to determine the market value of the 100% equity interest in the Target Company after the reorganisation, as of the Valuation Date for very substantial disposal reference purpose.

This report states our scope of work and purpose of appraisal, identifies the business appraised, economic overview, describes the basis and methodology of our appraisal, investigation and analysis, major assumptions and limiting conditions, and presents our opinion of value.

## PURPOSE OF APPRAISAL

IVL acknowledges that this report is prepared solely to assist the Management to determine the market value of the 100% equity interest in the Target Company after the reorganisation as of the Valuation Date. We understand that this report would be made available for very substantial disposal reference purpose only. No other use of our valuation report is intended or should be inferred.

We assume no responsibility whatsoever to any person other than the Group in respect of, or arising out of, the contents of this report. If others chose to rely in any way on the contents of this report they do so entirely on their own risk.

## DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2025. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of market value: "*Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*" Unless otherwise noted, the market value of the 100% equity interest in the Target Company is determined on controlling shares and going concern bases, after the reorganisation.

## SCOPE OF THE ENGAGEMENT

Our services included performing a valuation on the equity interest of the Target Company as of the Valuation Date, after the reorganisation.

In the process of the valuation under this engagement, we relied on business and financial information of the Target Company provided by the Management or obtained from public sources, if any. The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Discussions with the Management concerning the history and future operations of the Target Company;
- Discussions with the Management to obtain an explanation and clarification of data provided;
- Development of valuation model to value the Target Company, including gathering market and industry information in support of various assumptions;
- Discussions with the Management to:
  - Understand in more detail of the Target Company;
  - Gain a more thorough understanding of the nature and operations of the Target Company, including the estimated market trends;
- Analysis of the conditions and economy for the territory in which the Target Company operates; and
- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the equity value of the Target Company.

In the course of our valuation, we used financial and other information provided by the Management. We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

This valuation report comprises:

A. This letter, which describes the nature and extent of the valuation, and presents the conclusion of value; and

B. A narrative report, which sets forth the history and nature of the operations, a description of valuation theory, and a presentation and correlation of the valuation techniques employed, and the conclusion of value.

**SOURCES OF INFORMATION**

As part of our due diligence, we relied upon information and documents furnished to us by the Management, including the following:

- General descriptions and background of the Target Company;
- Shareholding structure chart of the Target Company;
- Equity transfer agreement dated 22 September 2025 entered into by the Group in relation to the disposal of 100% equity interest in the Target Company after the reorganisation;
- Audited financial statements of the Target Company for the year ended 31 December 2024; and
- Unaudited consolidated management accounts of the Target Company for the six months period ended 30 June 2025, after the reorganisation.

Other information regarding the economy, as well as additional financial data was obtained from sources deemed to be reliable. In addition, we have discussed with the Management concerning the financial and general outlook of the Target Company.

In the course of our valuation, we relied on the financial and other information provided by the Management, and have considered such information and data as attainable and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters, which an audit or more extensive examination might disclose.

We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

**CONCLUSION**

Based on the information provided and the analysis conducted, and subject to the Major Assumptions and Statement of Limiting Conditions, our opinion of the market value of the 100% equity interest in the Target Company, after the reorganisation, as of 30 June 2025 is reasonably represented in the amount of approximately, **RENMINBI TEN MILLION EIGHT HUNDRED THOUSAND ONLY (RMB10,800,000).**

We appreciate the opportunity to provide our valuation services. Please do not hesitate to contact us if you have any questions or if we can be of further assistance concerning this engagement. A copy of this report is retained in our files together with the data from which it was prepared.

Respectfully submitted,
**International Valuation Limited**

## 1 INTRODUCTION

### Description of the Assignment

International Valuation Limited ("**IVL**") has concluded its analysis on the 100% equity interest in Guangdong Hengcheng Furniture Co., Ltd. (廣東恒誠傢俬有限公司) (the "**Target Company**"). The purpose of this engagement is to estimate the market value of the 100% equity interest in the Target Company as of 30 June 2025 (the "**Valuation Date**"), after the reorganisation.

Our work is designed solely to assist the management (the "**Management**") of Royale Home Holdings Limited (the "**Company**") and its subsidiaries (together as the "**Group**") to determine the market value of the 100% equity interest in the Target Company, after the reorganisation, as of the Valuation Date for very substantial disposal reference purpose.

The report was prepared in accordance with International Valuation Standards 2025. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of market value: "*Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*" Unless otherwise noted, the market value of the 100% equity interest in the Target Company is determined on controlling shares and going concern bases, after the reorganisation.

The procedures used in our analysis included such substantive steps, as we considered necessary, including, but not necessarily limited to, the following:

- Discussions with the Management concerning the history and future operations of the Target Company;
- Discussions with the Management to obtain an explanation and clarification of data provided;
- Development of valuation model to value the Target Company, including gathering market and industry information in support of various assumptions;
- Discussions with the Management to:
  - Understand in more detail of the Target Company;
  - Gain a more thorough understanding of the nature and operations of the Target Company, including the estimated market trends;

- Analysis of the conditions and economy for the territory in which the Target Company operates; and

- Analysis of other facts and data considered pertinent to this valuation to arrive at a conclusion of the equity value of the Target Company.

In the course of our valuation, we used financial and other information provided by the Management. We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

**Sources of Information**

As part of our due diligence, we relied upon information and documents furnished to us by the Management, including the following:

- General descriptions and background of the Target Company;

- Shareholding structure chart of the Target Company;

- Equity transfer agreement dated 22 September 2025 entered into by the Group in relation to the disposal of 100% equity interest in the Target Company after the reorganisation;

- Audited financial statements of the Target Company for the year ended 31 December 2024; and

- Unaudited consolidated management accounts of the Target Company for the six months period ended 30 June 2025, after the reorganisation.

Other information regarding the economy, as well as additional financial data was obtained from sources deemed to be reliable. In addition, we have discussed with the Management concerning the financial and general outlook of the Target Company.

In the course of our valuation, we relied on the financial and other information provided by the Management, and have considered such information and data as attainable and reasonable. We have no reason to believe that any material facts have been withheld from us, however, we do not warrant that our investigations have revealed all of the matters, which an audit or more extensive examination might disclose.

We also used financial and other information obtained from private and public sources we considered reliable, and our conclusions are dependent on such information as being complete and accurate in all material respects.

## 2 PURPOSE OF APPRAISAL

IVL acknowledges that this report is prepared solely to assist the Management to determine the market value of the 100% equity interest in the Target Company as of the Valuation Date, after the reorganisation. We understand that this report would be made available for very substantial disposal reference purpose only. No other use of our valuation report is intended or should be inferred.

We assume no responsibility whatsoever to any person other than the Group in respect of, or arising out of, the contents of this report. If others chose to rely in any way on the contents of this report they do so entirely on their own risk.

## 3 OVERVIEW OF THE TARGET COMPANY

**Business Descriptions**

The Target Company is a company established in the People's Republic of China ("**PRC**") with limited liability. Its principal business activity is manufacturing and sale of sofa in China and it was an indirect wholly-owned subsidiary of the Company as of the Valuation Date.

Pursuant to the equity transfer agreement entered into by the Group in relation to the disposal of 100% equity interest in the Target Company, it was agreed that, as a condition precedent to the disposal completion, the Target Company shall (a) dispose of, transfer out all assets and liabilities relating to the manufacturing and sale of furniture operations ("**Operation Related assets and liabilities**") of the Target Company to the Group after the disposal completion (the "**Remaining Group**"), (b) settle certain subsisting third party financings through funds provided by the Remaining Group; (c) transfer all employees of the Target Company to the Group; and (d) terminate or assign all subsisting contracts relating to the manufacturing and sale of furniture operations ("**Operation Related contracts**") entered into between the Target Company and third parties to the Remaining Group, such that the Target Company shall cease to be bound by the said contracts (collectively, the "**Reorganisation**").

As advised by the Management, after the Reorganisation, the Target Company will mainly hold the parcel of land with a total land area of approximately 75,092 square metres for industrial use located at Launch District in Guangde (Yingde) Industrial Park, Guangqing Economic Special Cooperation Zone* (廣清經濟特別合作區廣德(英德)產業園啟動區) in the Guangdong Province, together with buildings erected thereon and relevant constructions in progress (collectively, the "**Land and Construction Interests**"), and the related and inseparable assets and liabilities.

As the Operation Related assets and liabilities will be retained by the Remaining Group, and the manufacturing and sale of furniture operations of the Target Company will then be taken over by and merged into the Remaining Group, the Target Company will then no longer have the ability to continue the existing principal business operations in production of furniture and sofa.

Upon the completion of the Reorganisation, the Operation Related assets and liabilities will be transferred out of the Target Company to the Remaining Group, the remaining assets and liabilities within the Target Company would be the Land and Constructions Interests and related and inseparable assets and liabilities, being the subject matter of the disposal and this valuation. Besides, in respect of the transfer of the Target Company's Operation Related assets and liabilities and relevant rights and obligations, it is estimated that the value of liabilities assumed would exceed the value of assets acquired by the Remaining Group, thereby giving rise to a net deficit in the form of net obligations on the part of the Target Company to pay the Remaining Group (i.e. amount due to the Company).

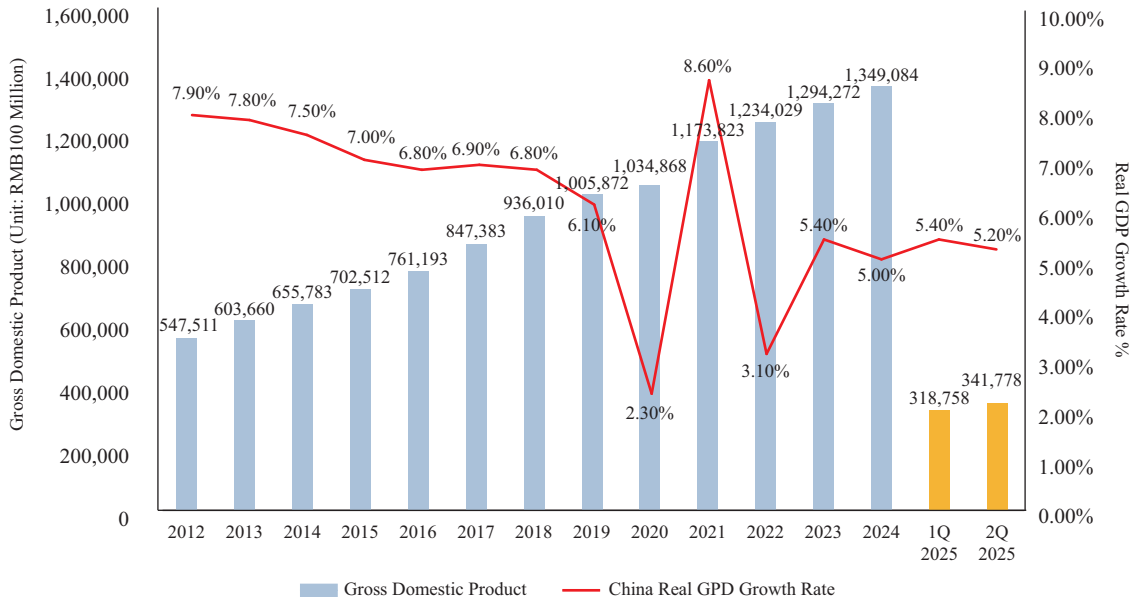
## 4 ECONOMIC OVERVIEW

### Overview of Economy of the PRC

China's economy maintained steady growth momentum in 2025, with the government setting a gross domestic product ("**GDP**") growth target of "around 5%" for the year. This target was kept unchanged from 2024, demonstrating the government's commitment to sustained economic expansion despite mounting external pressures and trade tensions.

China economy has withstood pressure and made steady improvement in the first half of 2025 despite under challenges. In the second quarter of 2025, China's GDP grew by 5.2% year-on-year, compared to a 5.4% growth in the first quarter. According to National Bureau of Statistics of China's preliminary estimates, the GDP in the first half of 2025 reached RMB66,053.6 billion, up by 5.3% year-on-year at constant prices. By industry, the value added of the primary industry was RMB3,117.2 billion, up by 3.7% year-on-year; that of the secondary industry was RMB23,905.0 billion, up by 5.3%; and that of the tertiary industry was RMB39,031.4 billion, up by 5.5%. This strong performance was driven by a combination of proactive policy measures implemented since September 2024, robust industrial production, and accelerated export activity ahead of potential United States ("**U.S.**") tariffs.

**China Gross Domestic Product and Real GDP Growth Rate from 2012 to the First Half of 2025**




*Source: National Bureau of Statistics of China*

**Industrial Production and Manufacturing**

Industrial production is one of the key drivers of China's economic growth. In June, the value-added of industrial enterprises above the designated size went up by 6.8% year-on-year. In the first half year, the total value added of industrial production grew by 6.4% year-on-year. Divided into three categories, the value added of mining increased by 6.0% year-on-year, that of manufacturing increased by 7.0%, and that of production and supply of electricity, heat power, gas and water increased by 1.9%. The value added of equipment manufacturing increased by 10.2% year-on-year, and that of high-tech manufacturing increased by 9.5%, which were 3.8% points and 3.1% points faster than that of the industrial enterprises above the designated size, respectively.

**Consumer Spending and Retail Sales**

Consumer spending showed encouraging signs of recovery in 2025, supported by government stimulus measures and policy initiatives. Retail sales of consumer goods grew by 4.8% year-on-year in June 2025. In the first half year, the total retail sales of consumer goods reached RMB24,545.8 billion, up by 5.0 percent year-on-year, 0.4% points faster than that of the first quarter.

The government's consumer goods trade-in program has been a significant driver of consumption growth. The retail sales of household appliances and audio-visual equipment, cultural and office supplies, communication equipment, and furniture by enterprises above the designated size up by 30.7%, 25.4%, 24.1% and 22.9% respectively.

From January to June 2025, the online retail sales reached RMB7,429.5 billion, up 8.5% year-on-year. Among them, the online retail sales of physical goods reached RMB6,119.1 billion, up 6.0%, accounting for 24.9% of the total retail sales of consumer goods. Among the online retail sales of physical goods, food, clothing, and daily necessities increased by 15.7%, 1.4%, and 5.3%, respectively.

**Employment and Labor Market**

China's labour market remained relatively stable in the first half of 2025, and the urban surveyed unemployment rate averaged 5.2%. The government has set a target for the surveyed urban unemployment rate of around 5.5% for 2025, and aims to create over 12 million new urban jobs, according to this year's government work report released in March 2025.

**Trade and External Economic Relations**

China's foreign trade demonstrated resilience and remained robust growth throughout the first half of 2025 despite an unprecedented trade war with the United States. In the first six months of the year, total trade value reached RMB21.788 trillion (or USD3.032 trillion), representing a 2.9% year-on-year increase. Exports rose 7.2% to RMB13.000 trillion (or USD1.809 trillion), while imports declined 2.7% to RMB8.788 trillion (or USD1.223 trillion).

The export growth was partly driven by firms accelerating shipments ahead of the potential U.S. tariff increases amid the ongoing trade relationship tensions. Besides, U.S. President Donald Trump's tariff policies have also prompted Chinese exporters to accelerate efforts to diversify into alternative markets. The strong export performance demonstrated China's manufacturing competitiveness and was also primarily driven by mechanical and electrical product exports in recent years. China's mechanical and electrical product exports increased 9.5% year-on-year to RMB7.797 trillion between January and June, accounting for around 59.98% of the country's total exports.

In the first half of the year, the largest three foreign trade partners of China are Association of Southeast Asian Nations ("**ASEAN**"), European Union ("**EU**") and the United States, which contributed 16.85%, 12.93% and 9.54% of the total external trade value, respectively. ASEAN and EU experienced a 9.3% and 3.5% year-on-year growth in the first six months of the year while the foreign trade value declined 9.3% with the United States. The total external trade value for those countries that jointly build the Belt and Road Initiative has rose 4.7% to RMB11.289 trillion, representing 51.82% of the total external trade value in China.

**Total Import and Export Value of the Largest Three Countries/Regions and Countries that Jointly Build the Belt and Road Initiative in June 2025**

*(RMB100 Million)*

| | Total Trade | | Export | | Import | | Year-on-Year ±% | | |
|---|---|---|---|---|---|---|---|---|---|
| | Jun 2025 | Jan-Jun 2025 | Jun 2025 | Jan-Jun 2025 | Jun 2025 | Jan-Jun 2025 | Total Trade | Export | Import |
| Association of Southeast Asian Nations | 6,522 | 36,716 | 4,186 | 23,178 | 2,336 | 13,538 | +9.6 | +14.3 | +2.3 |
| European Union | 5,209 | 28,176 | 3,538 | 19,222 | 1,671 | 8,954 | +3.5 | +7.9 | -4.8 |
| U.S. | 3,582 | 20,794 | 2,747 | 15,491 | 835 | 5,303 | -9.3 | -9.9 | -7.7 |
| Countries that jointly build the Belt and Road Initiative | 19,869 | 112,893 | 11,752 | 65,616 | 8,117 | 47,277 | +4.7 | +10.8 | -2.8 |
| **Total** | **38,527** | **217,876** | **23,394** | **130,000** | **15,134** | **87,875** | **+2.9** | **+7.2** | **-2.7** |

*Source: General Administration of Customs of the People's Republic of China*

**Inflation and Price Levels**

China experienced a deflationary environment for much of early 2025, with consumer prices declining 0.1% year-on-year in both April and May 2025. However, inflation turned positive in June, rising 0.1% year-on-year, marking the first annual increase since January 2025.

Core inflation, which excludes volatile food and fuel prices, showed more stability, rising 0.7% year-on-year in June 2025, the highest reading in 14 months. China's government lowered its inflation target for 2025 to around 2%, down from 3% in 2024, acknowledging the deflationary pressures and providing flexibility for policy easing.

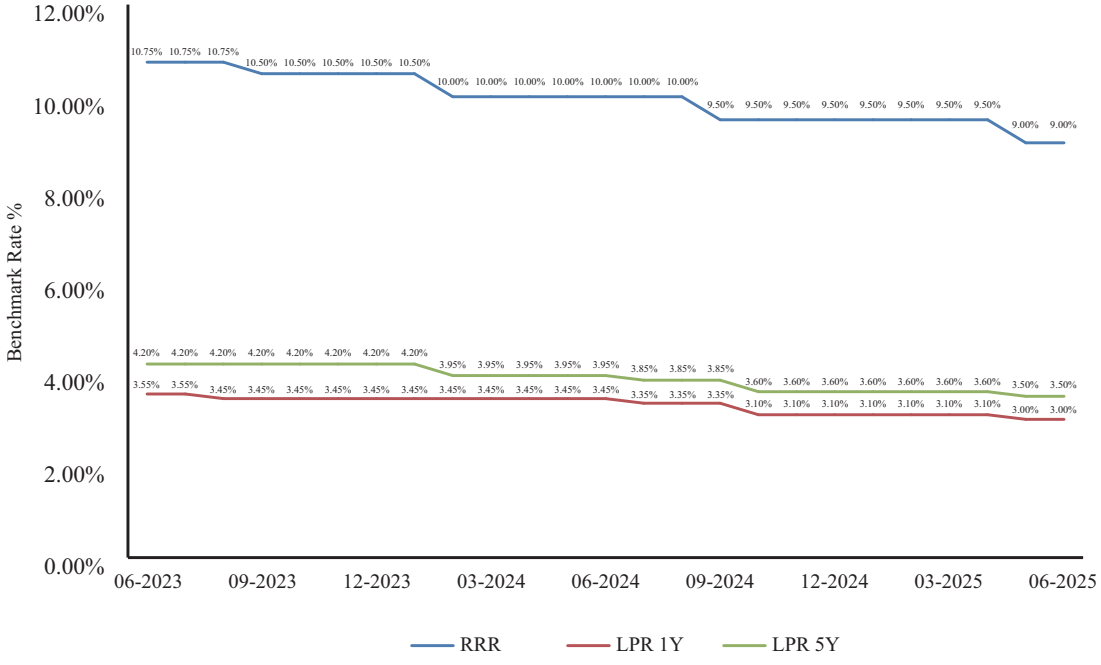
**Monetary and Fiscal Policy**

China implemented a more accommodative policy stance in 2025. The People's Bank of China ("**PBOC**") announced a shift to a "moderately loose" monetary policy, marking a significant departure from the previous "prudent" stance maintained for 14 years.

In May 2025, the PBOC launched a comprehensive 10-point monetary policy package, including a 0.5% point cut in the reserve requirement ratio and a 0.1% point reduction in the 7-day reverse repo rate to 1.4%. These measures were designed to inject liquidity into the market and support economic growth. Within the same month, the PBOC has also cut the Loan Prime Rate ("**LPR**") for both the one-year and five-year terms. The one-year LPR was lowered to 3.0% from 3.1%, and the five-year LPR was reduced to 3.5% from 3.6%. This is the first time in seven months that the PBOC has cut these benchmark lending rates.

The move was aimed at lowering borrowing costs for businesses and individuals, potentially stimulating investment and spending.

**Bank Loan Prime Rate and Reserve Requirement Ratio of Large Financial Institutions in China**




*Source: People's Bank of China*

On the fiscal side, China adopted a more proactive approach with the budget deficit target raised to 4.0% of GDP, the highest level in recent years. The government planned to issue RMB1.3 trillion in ultra-long special treasury bonds and RMB4.4 trillion in local government special-purpose bonds to support infrastructure and consumption.

National Bureau of Statistics of China pointed out that, generally speaking, with the more proactive and effective macro policies taking effects in the first half year of 2025, China's economy maintained steady growth with good momentum, showcasing strong resilience and vitality. However, there are many unstable and uncertain factors in external environment, the domestic effective demand is insufficient, and the foundation for economic recovery and growth needs to be further consolidated.

## 5 DEFINITION OF VALUE

The report was prepared in accordance with International Valuation Standards 2025. In estimating the market value of the equity interest appraised under this engagement, our efforts will be based on the following description of market value: "*Market Value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.*" Unless otherwise noted, the market value of the 100% equity interest in the Target Company is determined on controlling shares and going concern bases, after the Reorganisation.

## 6 GENERAL VALUATION OVERVIEW

The methods commonly used to develop approximate indications of value for a business or assets are the Income Approach, the Market Approach, and the Cost Approach.

### Income Approach

The Income Approach focuses on the income-producing capability of a business or asset. The Income Approach measures the current value of a business or asset by calculating the present value of its future economic benefits such as cash earnings, cost savings, tax deductions, and proceeds from disposition. Value indications are developed by discounting expected cash flows to their present value at a rate of return that incorporates the risk-free rate for the use of funds, the expected rate of inflation, and risks associated with the particular investment. The discount rate selected is generally based on rates of return available from alternative investments of similar type and quality as of the valuation date.

### Market Approach

The Market Approach measures the value of a business or asset through an analysis of recent sales or offerings of comparable businesses or assets. Adjustments are made to account for differences between the subject business or asset being valued and the comparable businesses or assets used in the analysis.

### Cost Approach

The Cost Approach measures the value of a business or asset by the cost to reconstruct or replace it with another of like utility. To the extent that the assets being valued provide less utility than new assets, the reproduction or replacement cost new would be adjusted to reflect appropriate physical deterioration, functional obsolescence, and economic obsolescence. The Cost Approach recognizes that a prudent investor would not ordinarily pay more for property or an asset than the cost to replace them new.

**Selected Approach**

In developing our opinion, we considered all three approaches to value for the asset types and chose the most appropriate approach or approaches for each. Our conclusions rely on the approaches judged to be most appropriate for the purpose and scope of our analysis, as well as the nature and reliability of the data available to us.

In estimating the market value of the equity interest in the Target Company, we relied primarily on the Cost Approach. Under this approach, each of the individual assets and liabilities of the Target Company are valued on the market value basis. We have been advised by the Management that after the Reorganisation, the Target Company will mainly hold the Land and Construction Interests, and it will no longer be able to continue its existing principal business of furniture production. Therefore, the market value of the Target Company will primarily reside in these remaining assets after the Reorganisation. In addition, specific assumptions and market data that are most relevant to the Land and Construction Interests could be taken into the consideration when assessing their market values. Hence, we considered the adoption of the Cost Approach is fair and reasonable.

The Market Approach benchmarks the Target Company's equity value to that of the publicly trading comparable companies based on the similarity and comparability on their financial performances and business nature. Since the specific attributes and location of the Land and Construction Interests remained in the Target Company after the Reorganisation are vastly different across different companies, the Market Approach is not appropriate for this valuation in view of such possible fundamental difference between the Target Company and publicly trading comparable companies. Also, the discontinuation of existing principal business of the Target Company makes it infeasible to conduct a meaningful comparison with publicly traded comparable companies.

The Income Approach is not adopted since prospective financial projection at market participants' point of view, which is subject to a number of assumptions and contingent factors, was not reliably available. There is no concrete business development plan of the Land and Construction Interests remained in the Target Company after the Reorganisation. Concerning that the valuation would be significantly impacted by any inappropriate assumptions made in the cashflow forecast of the Target Company, it is considered that the Income Approach is not appropriate for this valuation.

The selected approaches and specific methodologies applied in the valuation are described in the related sections of this report.

## 7 ESTIMATION OF THE MARKET VALUE OF 100% EQUITY INTEREST IN THE TARGET COMPANY

### Introduction

In this section of our report, we describe our valuation analysis utilized to arrive at a concluded market value of the 100% equity interest in the Target Company.

### Valuation Approach

We adopted the Cost Approach in the valuation of the equity interest in the Target Company, in particular, each of the assets and liabilities of the Target Company are valued on the market value basis and the market values of the assets and liabilities are netted off to arrive at the market value of the Target Company.

Based on the unaudited consolidated management accounts of the Target Company for the six months period ended 30 June 2025, after the Reorganisation, the assets of the Target Company mainly include cash and cash equivalents, other current assets, other receivables, amount due from Ocean Concept Limited, a wholly-owned subsidiary of the Company, as the vendor (the "**Vendor**"), the Land and Construction Interests, and deferred tax assets; while the liabilities of the Target Company mainly include other payables, amount due to the Company, non-current liabilities due within one year and deferred income.

### Cash and Cash Equivalents

Cash and cash equivalents represent liquid cash with no restriction nor limitation on its usage, therefore, its book value is deemed to have fully reflected its market value.

### Other Receivables and Amount Due from the Vendor

Other receivables is a guarantee deposit paid to a third party financier, which is a wholly-owned subsidiary of Far East Horizon Ltd (stock code: 3360) principally engaged in financial leasing business, of approximately RMB0.73 million as of the Valuation Date. Amount due from the Vendor comprises two inter-company advances totalling approximately RMB18 million provided by the Target Company to Ocean Concept Limited (i.e. the Vendor), a wholly-owned subsidiary of the Company, in July and August 2023. These advances were in nature intra-group fund management arrangements of the Group, for the purposes of supporting the Vendor's funding needs, including daily business operations and repayment of overseas debts. There has been no change in the outstanding amount of the amount due from the Vendor between 31 August 2023 and the Valuation Date, during which both the Vendor and the Target Company were wholly-owned subsidiaries under the common control of the Company and hence no repayment was made according to the Group's discretion on the internal management and allocation of funds. It is a consensus that the amount due from the vendor will be repaid by the Vendor to the Target Company within one year from 30 June 2025.

Based on the nature of the aforementioned other receivables and amount due from the Vendor, the Target Company and the Management consider that the possibility of default or non-repayment of these other receivables from the third party financier and the amount due from the Vendor is minimal. Besides, the Management has also reviewed the other receivables and amount due from the Vendor, and has made impairment adjustments on those long outstanding balances and on those balances that cannot be recovered, if applicable. Hence, it is expected that there is no significant difference between market values and book values of the other receivables and the amount due from the Vendor. Additionally, the Target Company expects the recovery of such amounts would be made within one year from the Valuation Date and after the completion of the disposal of the Target Company. Given the short-term nature of the other receivables and amount due from the Vendor, their net book values are, hence, deemed to have closely reflected their market values without any discount or premium to be applied.

**The Land and Construction Interests**

The Land and Construction Interests of the Target Company consist of a parcel of land with a total land area of approximately 75,092 square metres for industrial use located at Launch District in Guangde (Yingde) Industrial Park, Guangqing Economic Special Cooperation Zone in the Guangdong Province, together with buildings erected thereon and relevant constructions in progress.

The Market Approach is applied to the valuation of the Land and Construction Interests of the Target Company by taking into account the comparable sale transactions as available in the relevant market and appropriate adjustments made in terms of size, time, view, building quality, location and layout, etc.

The aggregate market value of the Land and Construction Interests under the assumption that the Land and Construction Interests can be freely transferred in the market without restriction is approximately RMB103,000,000 as of the Valuation Date. For detailed information, please refer to the Appendix VIIA of the circular of the Company dated 11 November 2025.

**Deferred Tax Assets and Other Current Assets**

Deferred tax assets and other current assets are tax-related items, which are estimated at the net amount expected to be recovered from the taxation authorities. The net book value is considered to be close to the market value as of the Valuation Date.

**Other Payables, Amount Due to the Company and Non-Current Liabilities Due Within One Year**

The Management expected that the other payables, amount due to the Company and non-current liabilities due within one year are required to be settled or repaid, and the Management does not expect any significant difference between their market values and

book values. Hence, book values have been adopted as the market values as of the Valuation Date for these liabilities.

**Deferred Income**

Deferred income represents government grant received by the Target Company for reimbursements of capital expenditure spent on manufacturing activities.

According to the notice《廣東省工業和信息化廳關於2024年省級促進產業有序轉移專項資金項目入庫儲備工作的通知》(粵工信園區函[2023]9號), the Target Company has already met the requirements of "project completion and production, and orderly transfer of industries" (項目建成投產、產業有序轉移) specified in the notice. The Target Company received the full amount of the government grant and it has been recorded as deferred income in December 2024. As advised by the Management, it is unlikely that the government grant will be required by the local government to be returned, and it should be recognized in the profit or loss statement as "undistributed profits". As such, given the nature of the deferred income and the expected minimal risk of its return required by the local government, the market value of deferred income would be considered as zero in this valuation.

**Determination of the Market Value of the Target Company**

Based on the above analysis, all assets and liabilities of the Target Company, after the Reorganisation, are valued on the market value basis. The market values of the assets and liabilities are netted off to arrive at our concluded market value of the Target Company. Details of the calculation were illustrated as follows:

| | **Book Value** *RMB* | **Market Value** *RMB* |
|---|---|---|
| **Current assets** | | |
| Cash and cash equivalents | 10,182,766 | 10,182,766 |
| Other current assets | 633,419 | 633,419 |
| Other receivables | 727,273 | 727,273 |
| Amount due from the Vendor | 18,000,000 | 18,000,000 |
| | 29,543,458 | 29,543,458 |
| **Non-current assets** | | |
| The Land and Construction Interests | 106,201,479 | 103,000,000 |
| Deferred tax assets | 1,689,417 | 1,689,417 |
| | 107,890,897 | 104,689,417 |
| **Current liabilities** | | |
| Other payables | (210,864) | (210,864) |
| Amount due to the Company | (122,135,160) | (122,135,160) |
| Non-current liabilities due within one year | (1,081,570) | (1,081,570) |
| | (123,427,594) | (123,427,594) |
| **Non-current liabilities** | | |
| Deferred income | (2,109,800) | – |
| | (2,109,800) | – |
| **Net asset value** | 11,896,960 | 10,805,281 |
| **Value of 100% Equity Interest** | | 10,805,281 |
| **Value of 100% Equity Interest (Rounded)** | | 10,800,000 |

*Note:* Sum of individual figures may not equal the total amount due to rounding.

## 8 MAJOR ASSUMPTIONS

In this appraisal, a number of assumptions have to be made in order to sufficiently support our concluded value of the Target Company. Any deviation from the below major assumptions may significantly vary the valuation result. The major assumptions adopted in this appraisal are:

- Unaudited consolidated management accounts of the Target Company for the six months period ended 30 June 2025, after the Reorganisation, as provided by the Management can reasonably represent its financial position and performance of the Target Company as of the Valuation Date since audited financial accounts as of the Valuation Date was not available;

- There will be no major changes in the current taxation laws in the territories (the "**Territories**") in which the Target Company operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- There will be no major changes in the political, legal, economic or financial conditions in the Territories in which the Target Company operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the Target Company;

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Target Company operates or intends to operate has or would be officially obtained and renewable upon expiry;

- Industry trends and the market conditions for related industries will not deviate significantly from economic forecasts; and

- All information and representations provided by the Management, for which they are solely and wholly responsible for are true, accurate and complete in all material respect.

## 9 CONCLUSION OF VALUE

Based on the information provided and the analysis conducted, and subject to the Major Assumptions and Statement of Limiting Conditions, our opinion of the market value of the 100% equity interest in the Target Company, after the reorganisation, as of 30 June 2025 is reasonably represented in the amount of approximately, **RENMINBI TEN MILLION EIGHT HUNDRED THOUSAND ONLY (RMB10,800,000).**

This report and the observations and analyses are intended solely for use by the Group for the purpose of assisting the Management of the Group to assess the market value of the 100% equity interest in the Target Company as of the Valuation Date and are not to be reproduced, disseminated or disclosed, in whole or in part, to any other party except in accordance with the terms of our engagement letter. The information contained in this report may include proprietary, sensitive and confidential information that has not been publicly disclosed. Release of this information to any other party could be damaging to the Group.

Yours faithfully,
For and on behalf of
**International Valuation Limited**

Prepared and analyzed by:
**Winnie Lam**, *CFA*
**Kevin Kwong**, *CFA, CVA, FRM*

*Ms. Winnie Lam has more than ten years of experience in valuation and financial analyses, including business valuation, valuation of intangible assets, financial instruments, natural resources projects and purchase price allocation. Ms. Lam is a charter holder of Chartered Financial Analyst (CFA) and she graduated from the Hong Kong University of Science and Technology with a Bachelor of Business Administration, double-major in finance and management of organizations.*

*Mr. Kevin Kwong has more than ten years of experience in business valuation, intangible assets valuation, purchase price allocation, and impairment tests for financial reporting and transaction reference purposes. Mr. Kwong is a charter holder of Chartered Financial Analyst (CFA), Chartered Valuer and Appraiser, Singapore (CVA) and Financial Risk Manager (FRM).*

## 10 STATEMENT OF LIMITING CONDITIONS

This analysis is subject to the following limiting conditions:

1. This appraisal report cannot be included or referred to in any prospectus, offering memo, loan agreement, registration statement, regulatory authority filings, legal and court proceedings or other public documents without prior written consent from International Valuation Limited ("**IVL**").

2. This report has been made only for the purpose stated and shall not be used for any other purpose. The information contained in this report is specific to the needs of the Group and for the intended use stated in this report. Neither IVL nor the appraiser is responsible for unauthorized use of this report. Neither this report nor any portions thereof (including, without limitations, any conclusions, the identity of IVL or any individuals signing or associated with this report, or the professional associations or organizations with which they are affiliated) shall be disseminated to third parties other than the Group, its financial accounting firm and attorneys, regulatory authorities, by any means without the prior written consent and approval of IVL. We assume no responsibilities or liabilities for any losses incurred as a result of unauthorized circulation, publication or reproduction of this report in any form and/or if used contrary to the purpose stated therein.

3. Information furnished by others or taken from Group's reports and records, standard reference manuals, publications and other sources, upon which all or portions of this report are based, is believed to be reliable, but has not been verified in all cases. No warranty is given as to the accuracy of such information. We do not accept any responsibilities for any errors or omissions in the information or any consequence liabilities arising from commercial decision or actions resulting from them.

4. IVL assumes no responsibility for legal matters including interpretations of either the law or contracts. No investigation has been made of, and no responsibility is assumed for, the legal description, or for legal matters regarding the valuation subject.

5. No responsibility is taken for changes in market conditions and no obligation is assumed to revise this report to reflect events or conditions, which occur subsequent to the valuation date hereof.

6. The date of value to which the estimate, conclusions and opinion expressed in this report applies is set forth in the beginning of this report. This appraisal is valid only for the valuation date indicated. Our value opinion is based on the purchasing power of the reporting currency as of this date. The opinion of value is estimated based on the financial conditions prevailing as of the date of this appraisal.

7. For events that occur subsequent to the appraisal date hereof, no responsibility is taken and no obligation is assumed to revise this report to reflect the impact, if any, of these events or changing conditions as they may have upon the subject although we reserve the right to do so. Neither IVL nor any individual signing or associated with this report shall be required by reason of this report to give further consultation, provide testimony or appear in court or other legal proceedings unless specific arrangements therefore have been made.

8. It is assumed that all required licenses, certificates, or other legislative or administrative authority from any local, or national government or private entity or organization have been, or can readily be obtained, or renewed for any use on which the value estimates provided in this report are based.

9. We have made no investigation of and assumed no responsibility for the ownership or any liabilities against the valuation subject. Responsible ownership and competent management are assumed.

10. Any allocation in this report of the total valuation among components of the valuation subject and the weighting of the reported values among the various appraisal approaches applies only to the program of utilization stated in this report. The separate values for any components or approaches may not be applicable for any other purpose and must not be used in conjunction with any other appraisal.

11. This appraisal report might not include full discussions of the data, reasoning, and analyses that were used in the valuation process to develop the appraiser's estimate of value. Supporting documentation concerning the data, reasoning, and analyses is retained in the appraiser's file. The information contained in this report is specific to the needs of the Group and for the intended use stated in this report. The appraiser is not responsible for unauthorized use of this report.

12. Our valuation is only any an indicative quantum at which interests in the valuation subject might be reasonably be expected to be sold or disposed at the Valuation Date and may be different from the actual transacted price.

13. To the best of our knowledge and belief, the statements of fact contained in this report are true and correct; the reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and are impartial, and unbiased professional analyses, opinions, and conclusions.

14. Neither IVL nor any individual signing or associated with this report has any present or prospective interest in the valuation subject of this report and with respect to the parties involved. IVL or any individual signing or associated with this report has no bias with respect to the valuation subject of this report or to the parties involved with this assignment. The engagement in this assignment was not contingent upon developing or reporting predetermined results. The compensation of IVL or any individual signing or associated with this report for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the Group, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.

* *The English names of Chinese entities are translations of their Chinese names and are included in this report for identification purpose only, and should not be regarded as their official English translation. In the event of any inconsistency, the Chinese name prevails.*

*The following is the text of a letter and a valuation report prepared for the purpose of incorporation in this document received from International Valuation Limited, an independent property valuer, in connection with its valuation as at 30 June 2025 of the property.*



INTERNATIONAL VALUATION LIMITED
國 際 評 估 有 限 公 司

International Valuation Limited
Unit 907, 9th Floor, Wing On Plaza
62 Mody Road, Tsim Sha Tsui East
Kowloon, Hong Kong
Tel: 3708 7922

11 November 2025

The Board of Directors
**Royale Home Holdings Limited**
Room 607, 6/F
Tsim Sha Tsui Centre West Wing
66 Mody Road, Tsim Sha Tsui East
Kowloon
Hong Kong

Dear Sir/Madam,

**Re: Land (Lot No. SYA01-02) and buildings erected upon, Guangde (Yingde) Industrial Park, Guangqing Special Economic Cooperation Zone, Yingde, Qingyuan, Guangdong Province, the People's Republic of China (the "Property")**

## INSTRUCTIONS AND VALUATION DATE

In accordance with the instruction from Royale Home Holdings Limited (the "**Company**") for us to value the Property held by the Company or its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 30 June 2025 (the "**Valuation Date**").

## VALUATION BASIS

Our valuation is carried out on the market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

## VALUATION STANDARDS

In valuing the Property, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited. We confirmed that the valuation is undertaken in accordance with the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

## VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the Property on the open market in its existing state without the benefit of a deferred term contract, atypical financing, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the Property.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the Property valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Other special assumptions of the Property, if any, have been stated in the notes of the valuation report of the Property.

## METHOD OF VALUATION

We have valued the Property by market approach – direct comparison method, where comparison based on prices realized on actual sales of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. Market approach is considered as the best valuation approach for valuing a property when the transaction information of relevant market comparable is sufficiently available in the market.

We have also valued the portion of the Property which was under construction by cost approach. It provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for all relevant forms of obsolescence.

## SOURCES OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, orders, easements, particulars of occupancy, lettings, identification of property, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the copies of documents or other information provided to us by the Group and are therefore approximations only. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

## TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on information provided by the Group.

In the course of valuation, we have relied considerably on the advices given by the PRC legal adviser of the Group, Guangdong Huajin Law Firm (the "**PRC Legal Adviser**"), regarding the titles to the Property which is located in the PRC.

All legal documents disclosed in this report are for reference only. We accept no responsibility or liability for any legal matters concerning the legal titles to the Property set out in this report.

Unless stated as otherwise, we have assumed that the owner of the Property is entitled to and is in full compliance with, and without contravention of all laws to construct, occupy and use the Property, except only where otherwise stated. We have further assumed that, for any use of the Property upon which this valuation is based, all required licenses, permits, certificates and authorizations have been obtained. We have assumed that the owner of the Property has free and uninterrupted rights to use and dispose of the Property for the whole of the unexpired term of the land use rights.

We have assumed that all consents, approvals and licences from the relevant government authorities for the development of the Property have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities.

## SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the Property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

On-site inspection of the Property was carried out on 4 August 2025 by Mr. Jacky Szto who holds a bachelor's degree specialized in property management, under direct supervision of Mr. Vincent Pang, who is the Member of the HKIS (General Practice Division), the Member of the RICS (Valuation) and a Registered Professional Surveyor (General Practice) with extensive experience in valuation of properties in the PRC.

We have not carried out on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the copies of the documents handed to us are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

## OTHER DISCLOSURE

This valuation is to be used for the purpose stated herein. We are instructed to provide our opinion of value as per the Valuation Date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the Valuation Date and we assume no obligation to update or otherwise revise these materials for events in the time since then.

We, International Valuation Limited, the independent property valuer in respect of this valuation, hereby confirm that we have neither present nor prospective interest in the Group or the value reported. We confirm that we are an independent qualified valuer under the meaning of Rule 5.08 of the Listing Rules.

## CURRENCY

Unless otherwise stated, all monetary sums stated in our valuations are in Renminbi ("**RMB**"), the lawful currency of the PRC.

We enclose herewith the valuation report for your attention.

Yours faithfully,
For and on behalf of
**International Valuation Limited**
**Vincent Pang**
*MHKIS, MRICS, R.P.S. (GP)*
*Director – Real Estate*

*Note:* Mr. Vincent Pang is the Member of the Hong Kong Institute of Surveyors (General Practice Division), the Member of the Royal Institution of Chartered Surveyors (Valuation) and a Registered Professional Surveyor (General Practice) with over 28 years of experience in property valuation and advisory services in the Greater China region and various overseas countries.

## VALUATION REPORT

### Property held by the Group for owner occupation in the PRC

| Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 30 June 2025<br>*RMB* |
|---|---|---|---|
| Land (Lot No. SYA01-02) and buildings erected upon, Guangde (Yingde) Industrial Park, Guangqing Special Economic Cooperation Zone, Yingde, Qingyuan, Guangdong Province, the PRC<br><br>(中華人民共和國廣東省清遠市英德市廣清經濟特別合作區廣德(英德)產業園 SYA01-02地塊及其上之建築物) | The Property is an industrial complex erected on a land parcel with a site area of approximately 75,092.00 sq. m.<br><br>The Property comprises seven buildings with a total gross floor area ("**GFA**") of approximately 17,363.00 sq. m. completed in about 2022 ("**Completed Portion**").<br><br>As advised, three additional buildings ("**Additional Buildings**") with a proposed GFA of approximately 35,979.71 sq. m. are proposed to be erected upon the land of the Property. Upon completion, the Additional Buildings will be used for industrial purposes. As advised by the Group, foundation and land enhancement works was commenced but suspended as at the Valuation Date.<br><br>According to the Real Estate Title Certificate, the land use rights of the Property were granted for a term expiring on 19 February 2070 designated for industrial use. | As advised by the Group, the Property was owner-occupied as at the Valuation Date. | 103,000,000 (RENMINBI ONE HUNDRED AND THREE MILLION)<br><br>(Please refer to Note 6 for breakdown) |

*Notes:*

1. Pursuant to the Real Estate Title Certificate – Yue (2020) Ying De Shi Bu Dong Chan Quan Di No. 0024407 (粵(2020)英德市不動產權第0024407號) issued by Yingde City Natural Resources Bureau (英德市自然資源局, "**Yingde City Natural**") dated 4 August 2020 provided by the Group, the land use rights of the land parcel of the Property with the site area of approximately 75,092.00 sq. m. had been granted to Guangdong Hengcheng Furniture Company Limited (廣東恆誠傢私有限公司, "**Guangzhou Hengcheng**") for a term expiring on 19 February 2070 for industrial use.

2. Pursuant to seven Real Estate Title Certificates issued by Yingde City Natural dated 27 February 2023 provided by the Group, the building use rights of the Property with the total GFA of approximately 17,363.00 sq. m. were held by Guangzhou Hengcheng for a term expiring on 19 February 2070 for industrial uses with the details as follow:

| Item | Certificate Number | Property Address | GFA *(sq. m.)* |
|---|---|---|---|
| 1 | Yue (2023) Ying De Shi Bu Dong Chan Quan Di No. 0007240 (粵(2023)英德市不動產權第0007240號) | Guangdong Hengcheng Furniture Company Limited 4# production plant in SY01-02, Guangde (Yingde) Industrial Park Start-up Area, Guangqing Special Economic Cooperation Zone (廣清經濟特別合作區廣德(英德)產業園啟動區SY01-02地塊廣東恒誠傢俬有限公司4#生產廠房) | 6,420.0 |
| 2 | Yue (2023) Ying De Shi Bu Dong Chan Quan Di No. 0007239 (粵(2023)英德市不動產權第0007239號) | Guangdong Hengcheng Furniture Company Limited 5# production plant in SY01-02, Guangde (Yingde) Industrial Park Start-up Area, Guangqing Special Economic Cooperation Zone (廣清經濟特別合作區廣德(英德)產業園啟動區SY01-02地塊廣東恒誠傢俬有限公司5#生產廠房) | 9,275.0 |
| 3 | Yue (2023) Ying De Shi Bu Dong Chan Quan Di No. 0007236 (粵(2023)英德市不動產權第0007236號) | Guangdong Hengcheng Furniture Company Limited 6# storage warehouse B in SY01-02, Guangde (Yingde) Industrial Park Start-up Area, Guangqing Special Economic Cooperation Zone (廣清經濟特別合作區廣德(英德)產業園啟動區SY01-02地塊廣東恒誠傢俬有限公司6#存儲倉庫B) | 478.0 |
| 4 | Yue (2023) Ying De Shi Bu Dong Chan Quan Di No. 0007237 (粵(2023)英德市不動產權第0007237號) | Guangdong Hengcheng Furniture Company Limited 7# electricity distribution room in SY01-02, Guangde (Yingde) Industrial Park Start-up Area, Guangqing Special Economic Cooperation Zone (廣清經濟特別合作區廣德(英德)產業園啟動區SY01-02地塊廣東恒誠傢俬有限公司7#配電房) | 274.0 |
| 5 | Yue (2023) Ying De Shi Bu Dong Chan Quan Di No. 0007235 (粵(2023)英德市不動產權第0007235號) | Guangdong Hengcheng Furniture Company Limited 8# storage warehouse A in SY01-02, Guangde (Yingde) Industrial Park Start-up Area, Guangqing Special Economic Cooperation Zone (廣清經濟特別合作區廣德(英德)產業園啟動區SY01-02地塊廣東恒誠傢俬有限公司8#儲存倉庫A) | 105.0 |
| 6 | Yue (2023) Ying De Shi Bu Dong Chan Quan Di No. 0007234 (粵(2023)英德市不動產權第0007234號) | Guangdong Hengcheng Furniture Company Limited 11# pump house, pond in SY01-02, Guangde (Yingde) Industrial Park Start-up Area, Guangqing Special Economic Cooperation Zone (廣清經濟特別合作區廣德(英德)產業園啟動區SY01-02地塊廣東恒誠傢俬有限公司11#水泵房、水池) | 756.0 |

| Item | Certificate Number | Property Address | GFA *(sq. m.)* |
|---|---|---|---|
| 7 | Yue (2023) Ying De Shi Bu Dong Chan Quan Di No. 0007238 (粵(2023)英德市不動產權第0007238號) | Guangdong Hengcheng Furniture Company Limited 12# doorman's room, pond in SY01-02, Guangde (Yingde) Industrial Park Start-up Area, Guangqing Special Economic Cooperation Zone (廣清經濟特別合作區廣德(英德)產業園啟動區SY01-02地塊廣東恒誠傢俬有限公司12#門衛室) | 55.0 |
| | | **Total:** | **17,363.0** |

3. Pursuant to the Construction Works Planning Permit – Jian Zi Di No. 4418812023GG0064328 (建字第4418812023GG0064328號) issued by Guangdong Shunde Qingyuan (Yingde) Economic Cooperation Zone Management Committee (廣東順德清遠(英德)經濟合作區管理委員會, "**Committee**") dated 15 November 2023 in favor of Guangzhou Hengcheng, the Additional Buildings of the Property with a total proposed GFA of approximately 35,979.71 sq. m. had been approved for construction.

4. Pursuant to the Construction Works Commencement Permit – No. 441881202405170101 issued by the Committee dated 17 May 2024 in favor of Guangzhou Hengcheng, permission by the relevant local authority was given to commence the construction of the Property with a total proposed GFA of approximately 35,979.71 sq. m.

5. We have been provided with a legal opinion regarding the property interests by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

   a. pursuant to 8 Real Estate Title Certificates as mentioned in Notes 1 and 2, Guangzhou Hengcheng is the legal and sole owner of the land use rights and building ownership of the Property, and Guangzhou Hengcheng is entitled to occupy, use, dispose and gain profit from the Property in accordance with the law; and

   b. the Property is not subject to any restriction on rights, such as mortgages, seizures, registration of objections or establishment of occupancy rights.

6. For reference purpose, the breakdown of market value of the Property is listed as follows:

| Portion | Valuation breakdown of the market value in existing state as at the Valuation Date *(RMB)* |
|---|---|
| Completed Portion | 55,400,000 |
| Un-utilized Portion | 27,300,000 |
| Additional Buildings | 20,700,000 |
| **Total (Rounded)** | **103,000,000** |

7. In undertaking our valuation of the Completion Portion of the Property, we have considered the sales of industrial properties in the vicinity of the Property. The comparables are primarily selected based on the following criteria:

(i) the comparables are recent asking evidence;

(ii) the comparables are located in the same city and district as the Property;

(iii) the comparables have the same land usage as the Property; and

(iv) the comparables have similar land use rights terms.

As the transaction record of industrial property in the vicinity of the Property is not available in public source, asking evidence of industrial properties located in the vicinity are selected. The details of the selected comparables which are exhaustive and representative based on the aforesaid selection criteria are tabulated below with relevant adjustments:

| | **Comparable 1** | **Comparable 2** | **Comparable 3** |
|---|---|---|---|
| **Development (Chinese)** | 英德(東華)萬洋眾創城 | 英德(東華)萬洋眾創城 | 英德(東華)萬洋眾創城 |
| **Development (English)** | Yingde (Tung Wah) Wanyang Venture City | Yingde (Tung Wah) Wanyang Venture City | Yingde (Tung Wah) Wanyang Venture City |
| **Property Address** | Donghua Township, East of Provincial Highway 252 | Donghua Township, East of Provincial Highway 252 | Donghua Township, East of Provincial Highway 252 |
| **City** | Yingde City | Yingde City | Yingde City |
| **GFA** *(sq. m.)* | 4,000.00 | 7,000.00 | 3,000.00 |
| **Usage** | Industrial | Industrial | Industrial |
| **Handover Condition** | Furnished | Furnished | Furnished |
| **Consideration** *(RMB)* | 11,000,000 | 25,000,000 | 9,000,000 |
| **Unit Rate** *(RMB/sq. m.)* | 2,750 | 3,571 | 3,000 |
| **Average Adjusted Unit Rate** *(RMB/sq. m.)* | | 3,191 | |

The unit rates of the comparables ranged from RMB2,750 to RMB3,571 per sq. m. In our valuation, we have considered different attributes between the Property and the comparables in terms of asking nature, location, size and land use rights terms, and have made adjustments accordingly. In applying adjustments to the comparables, a downward adjustment would be made to the unit rate of the comparables if it is superior to the subject Property in terms of the aforementioned attributes, and vice versa. Having considered the above adjustments to the comparables, we have arrived a conclusion of an average adjusted unit rate at RMB3,191 per sq. m. for the valuation of the Completion Portion of the Property.

The market value of the Completed Portion of the Property is calculated by multiplying the average adjusted unit rate (RMB3,191 per sq. m.) and the total GFA of approximately 17,363.00 sq. m.

8. The land of the Property, with a site area of approximately 75,092.00 sq. m. has a maximum permissible GFA of approximately 210,258.00 sq. m., corresponding to a permitted plot ratio of 2.80. Currently, buildings with a GFA of approximately 17,363.00 sq. m. have been constructed, representing a utilized plot ratio of about 0.231. By subtracting this from the maximum permissible GFA, the land of the Property can accommodate additional construction with a GFA of approximately 192,895.00 sq. m., equivalent to an undeveloped plot ratio of about 2.569. This un-utilized development potential of the land of the Property is referred to the "Un-utilized Portion". We have value the Un-utilized Portion of the land of the Property by considering the sales of industrial lands in the same industrial park as the Property. The comparables are primarily selected based on the following criteria:

(i) the comparables are located in the same industrial park as the Property;

(ii) the comparables are recent actual transactions;

(iii) the comparables have the same usage, class and plot ratio as the Property; and

(iv) the comparables have similar land use rights terms.

The details of the selected comparables which are exhaustive and representative based on the aforesaid selection criteria are tabulated below with relevant adjustments:

| | **Comparable 1** | **Comparable 2** | **Comparable 3** |
|---|---|---|---|
| **Project Name** | Guangdong Know Ngan Packaging Company Limited (廣東懂顏包裝有限公司) | Guangdong Jeff Antimony Technology Company Limited (廣東傑夫精銻科技有限公司) | Yingde Runtai Textile Technology Company Limited (英德市潤泰紡織科技有限公司) |
| **Property Address** | Lot ZNA-03-13-01, Zhongnan Industrial Area, Guangde (Yingde) Industrial Park, Guangqing Special Economic Cooperation Zone, Guangdong Province | Lot ZNA-03-15-02, Zhongnan Industrial Area, Guangde (Yingde) Industrial Park, Guangqing Special Economic Cooperation Zone, Guangdong Province | Lot ZNA-02-08-01, Zhongnan Industrial Area, Guangde (Yingde) Industrial Park, Guangqing Special Economic Cooperation Zone, Guangdong Province |
| **City** | Yingde City | Yingde City | Yingde City |
| **Usage** | Industrial | Industrial | Industrial |
| **Class of Land** | Level 10 | Level 10 | Level 10 |
| **Site Area** *(sq. m.)* | 18,822.86 | 33,721.62 | 24,022.23 |
| **Permissible Plot Ratio (Maximum)** | 2.80 | 2.80 | 2.80 |
| **Maximum Permitted GFA** *(sq. m.)* | 52,704.01 | 94,420.54 | 67,262.24 |
| **Methods for Selling** | Public listing | Public listing | Public listing |
| **Land Use Rights Terms** | 50 years | 50 years | 50 years |

| | Comparable 1 | Comparable 2 | Comparable 3 |
|---|---|---|---|
| **Land Premium** *(RMB)* | 7,800,000 | 13,900,000 | 9,800,000 |
| **Accommodation Unit Rate** *(RMB/sq. m. GFA)* | 148 | 147 | 146 |
| **Transaction Date** | 16/4/2025 | 7/3/2025 | 10/12/2024 |
| **Average Adjusted Accommodation Unit Rate** *(RMB/sq. m. GFA)* | | 142 | |

The accommodation unit rates of the comparables ranged from RMB146 to RMB148 per sq. m. In our valuation, we have considered different attributes between the land of the Property and the comparable land in terms of location, use, size and land use rights terms, and have made adjustments accordingly. In applying adjustments to the comparables, a downward adjustment would be made to the unit rate of the comparables if it is superior to the subject Property in terms of the aforementioned attributes, and vice versa. Having considered the above adjustments to the comparables, we have arrived a conclusion of an average adjusted unit rate at RMB142 per sq. m. of GFA and adopted it as the valuation of the Un-utilized Portion of the land of the Property.

The market value of the Un-utilized Portion of the Property is calculated by multiplying the average adjusted accommodation unit rate (RMB142 per sq. m. of GFA) and the un-utilized permitted GFA of about 192,895.00 sq. m.

9. As advised by the Group, the foundation and land enhancement works of the Additional Buildings were commenced in 2023 but suspended from 2024. As provided, the cost expended and outstanding cost for the construction works for the Additional Buildings of the Property as at the Valuation Date is about RMB21,331,000 and about RMB30,345,000 respectively. In valuing the Additional Buildings, we have adopted the cost approach, incorporated the expended costs while appropriate adjustments were made to reflect the current market conditions and the existing status of the construction works. Specifically, we have adjusted the paid costs by applying a time factor of approximately 1% to account for changes in construction material prices, labour rates, and overall market inflation since the expenditures were incurred. Additionally, a depreciation factor has been applied to recognize potential depreciation due to the suspension, such as site deterioration, obsolescence of initial works, or holding costs, which is prudent given the incomplete and halted nature of the development. We have taken into account the expended cost in our valuation after these adjustments to determine the market value of Additional Buildings as RMB20,700,000. This methodology aligns with normal market practice for assessing Construction in Progress (CIP) properties, where historical costs are updated for temporal and condition-related influences to derive a fair and realistic market value.

   The capital value of the Additional Buildings, assuming completion as at the Valuation Date, was RMB51,200,000.

*The following is the text of a letter and a valuation report prepared for the purpose of incorporation in this document received from International Valuation Limited, an independent property valuer, in connection with its valuation as at 31 August 2025 of the property.*

INTERNATIONAL VALUATION LIMITED
國 際 評 估 有 限 公 司

International Valuation Limited
Unit 907, 9th Floor, Wing On Plaza
62 Mody Road, Tsim Sha Tsui East
Kowloon, Hong Kong
Tel: 3708 7922

11 November 2025

The Board of Directors
**Royale Home Holdings Limited**
Room 607, 6/F
Tsim Sha Tsui Centre West Wing
66 Mody Road, Tsim Sha Tsui East
Kowloon
Hong Kong

Dear Sir/Madam,

**Re: Land (Lot No. SYA01-02) and buildings erected upon, Guangde (Yingde) Industrial Park, Guangqing Special Economic Cooperation Zone, Yingde, Qingyuan, Guangdong Province, the People's Republic of China (the "Property")**

## INSTRUCTIONS AND VALUATION DATE

In accordance with the instruction from Royale Home Holdings Limited (the "**Company**") for us to value the Property held by the Company or its subsidiaries (hereinafter together referred to as the "**Group**") in the People's Republic of China (the "**PRC**"), we confirm that we made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of the Property as at 31 August 2025 (the "**Valuation Date**").

## VALUATION BASIS

Our valuation is carried out on the market value basis. Market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

## VALUATION STANDARDS

In valuing the Property, we have complied with all the requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by the Stock Exchange of Hong Kong Limited. We confirmed that the valuation is undertaken in accordance with the RICS Valuation – Global Standards published by the Royal Institution of Chartered Surveyors, the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors, and the International Valuation Standards issued by the International Valuation Standards Council.

## VALUATION ASSUMPTIONS

Our valuation has been made on the assumption that the seller sells the Property on the open market in its existing state without the benefit of a deferred term contract, atypical financing, leaseback, joint venture, management agreement or any similar arrangement which would serve to affect the value of the Property.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the Property valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the Property is free from encumbrances, restrictions and outgoings of an onerous nature, which could affect its value. Other special assumptions of the Property, if any, have been stated in the notes of the valuation report of the Property.

## METHOD OF VALUATION

We have valued the Property by market approach – direct comparison method, where comparison based on prices realized on actual sales of comparable properties is made. Comparable properties of similar size, character and location are analyzed and carefully weighed against all the respective advantages and disadvantages of each property in order to arrive at a fair comparison of market value. Market approach is considered as the best valuation approach for valuing a property when the transaction information of relevant market comparable is sufficiently available in the market.

We have also valued the portion of the Property which was under construction by cost approach. It provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for all relevant forms of obsolescence.

## SOURCES OF INFORMATION

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, orders, easements, particulars of occupancy, lettings, identification of property, site and floor areas and all other relevant matters.

Dimensions, measurements and areas included in the valuation report are based on the copies of documents or other information provided to us by the Group and are therefore approximations only. No on-site measurement has been carried out. We have had no reason to doubt the truth and accuracy of the information provided to us by the Group which is material to the valuation. We were also advised by the Group that no material facts have been omitted from the information provided.

## TITLE INVESTIGATION

We have been provided with copies of documents in relation to the titles of the property interests. However, we have not scrutinized the original documents to verify ownership or to verify any amendments, which may not appear on the copies handed to us. We have relied to a considerable extent on information provided by the Group.

In the course of valuation, we have relied considerably on the advices given by the PRC legal adviser of the Group, Guangdong Huajin Law Firm (the "**PRC Legal Adviser**"), regarding the titles to the Property which is located in the PRC.

All legal documents disclosed in this report are for reference only. We accept no responsibility or liability for any legal matters concerning the legal titles to the Property set out in this report.

Unless stated as otherwise, we have assumed that the owner of the Property is entitled to and is in full compliance with, and without contravention of all laws to construct, occupy and use the Property, except only where otherwise stated. We have further assumed that, for any use of the Property upon which this valuation is based, all required licenses, permits, certificates and authorizations have been obtained. We have assumed that the owner of the Property has free and uninterrupted rights to use and dispose of the Property for the whole of the unexpired term of the land use rights.

We have assumed that all consents, approvals and licences from the relevant government authorities for the development of the Property have been obtained without onerous conditions or delays. We have also assumed that the design and construction of the Property are in compliance with the local planning regulations and have been approved by the relevant authorities.

## SITE INSPECTION

We have inspected the exterior and, where possible, the interior of the Property. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the Property is free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

On-site inspection of the Property was carried out on 4 August 2025 by Mr. Jacky Szto who holds a bachelor's degree specialized in property management, under direct supervision of Mr. Vincent Pang, who is the Member of the HKIS (General Practice Division), the Member of the RICS (Valuation) and a Registered Professional Surveyor (General Practice) with extensive experience in valuation of properties in the PRC.

We have not carried out on-site measurements to verify the site and floor areas of the Property and we have assumed that the areas shown on the copies of the documents handed to us are correct. All documents and plans have been used as reference only and all dimensions, measurements and areas are therefore approximations.

## OTHER DISCLOSURE

This valuation is to be used for the purpose stated herein. We are instructed to provide our opinion of value as per the Valuation Date only. It is based on economic, market and other conditions as they exist on, and information made available to us as of, the Valuation Date and we assume no obligation to update or otherwise revise these materials for events in the time since then.

We, International Valuation Limited, the independent property valuer in respect of this valuation, hereby confirm that we have neither present nor prospective interest in the Group or the value reported. We confirm that we are an independent qualified valuer under the meaning of Rule 5.08 of the Listing Rules.

## CURRENCY

Unless otherwise stated, all monetary sums stated in our valuations are in Renminbi ("**RMB**"), the lawful currency of the PRC.

We enclose herewith the valuation report for your attention.

Yours faithfully,
For and on behalf of
**International Valuation Limited**
**Vincent Pang**
*MHKIS, MRICS, R.P.S. (GP)*
*Director – Real Estate*

*Note:* Mr. Vincent Pang is the Member of the Hong Kong Institute of Surveyors (General Practice Division), the Member of the Royal Institution of Chartered Surveyors (Valuation) and a Registered Professional Surveyor (General Practice) with over 28 years of experience in property valuation and advisory services in the Greater China region and various overseas countries.

## VALUATION REPORT

### Property held by the Group for owner occupation in the PRC

| Property | Description and tenure | Particulars of occupancy | Market value in existing state as at 31 August 2025<br>*RMB* |
|---|---|---|---|
| Land (Lot No. SYA01-02) and buildings erected upon, Guangde (Yingde) Industrial Park, Guangqing Special Economic Cooperation Zone, Yingde, Qingyuan, Guangdong Province, the PRC<br><br>(中華人民共和國廣東省清遠市英德市廣清經濟特別合作區廣德(英德)產業園 SYA01-02地塊及其上之建築物) | The Property is an industrial complex erected on a land parcel with a site area of approximately 75,092.00 sq. m.<br><br>The Property comprises seven buildings with a total gross floor area ("**GFA**") of approximately 17,363.00 sq. m. completed in about 2022 ("**Completed Portion**").<br><br>As advised, three additional buildings ("**Additional Buildings**") with a proposed GFA of approximately 35,979.71 sq. m. are proposed to be erected upon the land of the Property. Upon completion, the Additional Buildings will be used for industrial purposes. As advised by the Group, foundation and land enhancement works was commenced but suspended as at the Valuation Date.<br><br>According to the Real Estate Title Certificate, the land use rights of the Property were granted for a term expiring on 19 February 2070 designated for industrial use. | As advised by the Group, the Property was owner-occupied as at the Valuation Date. | 103,700,000 (RENMINBI ONE HUNDRED THREE MILLION AND SEVEN HUNDRED THOUSAND)<br><br>(Please refer to Note 6 for breakdown) |

*Notes:*

1. Pursuant to the Real Estate Title Certificate – Yue (2020) Ying De Shi Bu Dong Chan Quan Di No. 0024407 (粵(2020)英德市不動產權第0024407號) issued by Yingde City Natural Resources Bureau (英德市自然資源局, "**Yingde City Natural**") dated 4 August 2020 provided by the Group, the land use rights of the land parcel of the Property with the site area of approximately 75092.00 sq. m. had been granted to Guangdong Hengcheng Furniture Company Limited (廣東恆誠傢私有限公司, "**Guangzhou Hengcheng**") for a term expiring on 19 February 2070 for industrial use.

2. Pursuant to seven Real Estate Title Certificates issued by Yingde City Natural dated 27 February 2023 provided by the Group, the building use rights of the Property with the total GFA of approximately 17,363.00 sq. m. were held by Guangzhou Hengcheng for a term expiring on 19 February 2070 for industrial uses with the details as follow:

| Item | Certificate Number | Property Address | GFA *(sq. m.)* |
|---|---|---|---|
| 1 | Yue (2023) Ying De Shi Bu Dong Chan Quan Di No. 0007240 (粵(2023)英德市不動產權第0007240號) | Guangdong Hengcheng Furniture Company Limited 4# production plant in SY01-02, Guangde (Yingde) Industrial Park Start-up Area, Guangqing Special Economic Cooperation Zone (廣清經濟特別合作區廣德(英德)產業園啟動區SY01-02地塊廣東恒誠傢俬有限公司4#生產廠房) | 6,420.0 |
| 2 | Yue (2023) Ying De Shi Bu Dong Chan Quan Di No. 0007239 (粵(2023)英德市不動產權第0007239號) | Guangdong Hengcheng Furniture Company Limited 5# production plant in SY01-02, Guangde (Yingde) Industrial Park Start-up Area, Guangqing Special Economic Cooperation Zone (廣清經濟特別合作區廣德(英德)產業園啟動區SY01-02地塊廣東恒誠傢俬有限公司5#生產廠房) | 9,275.0 |
| 3 | Yue (2023) Ying De Shi Bu Dong Chan Quan Di No. 0007236 (粵(2023)英德市不動產權第0007236號) | Guangdong Hengcheng Furniture Company Limited 6# storage warehouse B in SY01-02, Guangde (Yingde) Industrial Park Start-up Area, Guangqing Special Economic Cooperation Zone (廣清經濟特別合作區廣德(英德)產業園啟動區SY01-02地塊廣東恒誠傢俬有限公司6#存儲倉庫B) | 478.0 |
| 4 | Yue (2023) Ying De Shi Bu Dong Chan Quan Di No. 0007237 (粵(2023)英德市不動產權第0007237號) | Guangdong Hengcheng Furniture Company Limited 7# electricity distribution room in SY01-02, Guangde (Yingde) Industrial Park Start-up Area, Guangqing Special Economic Cooperation Zone (廣清經濟特別合作區廣德(英德)產業園啟動區SY01-02地塊廣東恒誠傢俬有限公司7#配電房) | 274.0 |
| 5 | Yue (2023) Ying De Shi Bu Dong Chan Quan Di No. 0007235 (粵(2023)英德市不動產權第0007235號) | Guangdong Hengcheng Furniture Company Limited 8# storage warehouse A in SY01-02, Guangde (Yingde) Industrial Park Start-up Area, Guangqing Special Economic Cooperation Zone (廣清經濟特別合作區廣德(英德)產業園啟動區SY01-02地塊廣東恒誠傢俬有限公司8#儲存倉庫A) | 105.0 |
| 6 | Yue (2023) Ying De Shi Bu Dong Chan Quan Di No. 0007234 (粵(2023)英德市不動產權第0007234號) | Guangdong Hengcheng Furniture Company Limited 11# pump house, pond in SY01-02, Guangde (Yingde) Industrial Park Start-up Area, Guangqing Special Economic Cooperation Zone (廣清經濟特別合作區廣德(英德)產業園啟動區SY01-02地塊廣東恒誠傢俬有限公司11#水泵房、水池) | 756.0 |

| Item | Certificate Number | Property Address | GFA *(sq. m.)* |
|---|---|---|---|
| 7 | Yue (2023) Ying De Shi Bu Dong Chan Quan Di No. 0007238 (粵(2023)英德市不動產權第0007238號) | Guangdong Hengcheng Furniture Company Limited 12# doorman's room, pond in SY01-02, Guangde (Yingde) Industrial Park Start-up Area, Guangqing Special Economic Cooperation Zone (廣清經濟特別合作區廣德(英德)產業園啟動區SY01-02地塊廣東恒誠傢俬有限公司12#門衛室) | 55.0 |
| | | **Total:** | **17,363.0** |

3. Pursuant to the Construction Works Planning Permit – Jian Zi Di No. 4418812023GG0064328 (建字第4418812023GG0064328號) issued by Guangdong Shunde Qingyuan (Yingde) Economic Cooperation Zone Management Committee (廣東順德清遠(英德)經濟合作區管理委員會, "**Committee**") dated 15 November 2023 in favor of Guangzhou Hengcheng, the Additional Buildings of the Property with a total proposed GFA of approximately 35,979.71 sq. m. had been approved for construction.

4. Pursuant to the Construction Works Commencement Permit – No. 441881202405170101 issued by the Committee dated 17 May 2024 in favor of Guangzhou Hengcheng, permission by the relevant local authority was given to commence the construction of the Property with a total proposed GFA of approximately 35,979.71 sq. m.

5. We have been provided with a legal opinion regarding the property interests by the Company's PRC Legal Adviser, which contains, *inter alia*, the following:

   a. pursuant to 8 Real Estate Title Certificates as mentioned in Notes 1 and 2, Guangzhou Hengcheng is the legal and sole owner of the land use rights and building ownership of the Property, and Guangzhou Hengcheng is entitled to occupy, use, dispose and gain profit from the Property in accordance with the law; and

   b. the Property is not subject to any restriction on rights, such as mortgages, seizures, registration of objections or establishment of occupancy rights.

6. For reference purpose, the breakdown of market value of the Property is listed as follows:

| Portion | Valuation breakdown of the market value in existing state as at the Valuation Date *(RMB)* |
|---|---|
| Completed Portion | 55,400,000 |
| Un-utilized Portion | 27,300,000 |
| Additional Buildings | 21,000,000 |
| **Total** | **103,700,000** |

7. In undertaking our valuation of the Completion Portion of the Property, we have considered the sales of industrial properties in the vicinity of the Property. The comparables are primarily selected based on the following criteria:

(i) the comparables are recent asking evidence;

(ii) the comparables are located in the same city and district as the Property;

(iii) the comparables have the same land usage as the Property; and

(iv) the comparables have similar land use rights terms.

As the transaction record of industrial property in the vicinity of the Property is not available in public source, asking evidence of industrial properties located in the vicinity are selected. The details of the selected comparables which are exhaustive and representative based on the aforesaid selection criteria are tabulated below with relevant adjustments:

| | **Comparable 1** | **Comparable 2** | **Comparable 3** |
|---|---|---|---|
| **Development (Chinese)** | 英德(東華)萬洋眾創城 | 英德(東華)萬洋眾創城 | 英德(東華)萬洋眾創城 |
| **Development (English)** | Yingde (Tung Wah) Wanyang Venture City | Yingde (Tung Wah) Wanyang Venture City | Yingde (Tung Wah) Wanyang Venture City |
| **Property Address** | Donghua Township, East of Provincial Highway 252 | Donghua Township, East of Provincial Highway 252 | Donghua Township, East of Provincial Highway 252 |
| **City** | Yingde City | Yingde City | Yingde City |
| **GFA** *(sq. m.)* | 4,000.00 | 7,000.00 | 3,000.00 |
| **Usage** | Industrial | Industrial | Industrial |
| **Handover Condition** | Furnished | Furnished | Furnished |
| **Consideration** *(RMB)* | 11,000,000 | 25,000,000 | 9,000,000 |
| **Unit Rate** *(RMB/sq. m.)* | 2,750 | 3,571 | 3,000 |
| **Average Adjusted Unit Rate** *(RMB/sq. m.)* | | 3,191 | |

The unit rates of the comparables ranged from RMB2,750 to RMB3,571 per sq. m. In our valuation, we have considered different attributes between the Property and the comparables in terms of asking nature, location, size and land use rights terms, and have made adjustments accordingly. In applying adjustments to the comparables, a downward adjustment would be made to the unit rate of the comparables if it is superior to the subject Property in terms of the aforementioned attributes, and vice versa. Having considered the above adjustments to the comparables, we have arrived a conclusion of an average adjusted unit rate at RMB3,191 per sq. m. for the valuation of the Completion Portion of the Property.

The market value of the Completed Portion of the Property is calculated by multiplying the average adjusted unit rate (RMB3,191 per sq. m.) and the total GFA of approximately 17,363.00 sq. m.

8. The land of the Property, with a site area of approximately 75,092.00 sq. m. has a maximum permissible GFA of approximately 210,258.00 sq. m., corresponding to a permitted plot ratio of 2.80. Currently, buildings with a GFA of approximately 17,363.00 sq. m. have been constructed, representing a utilized plot ratio of about 0.231. By subtracting this from the maximum permissible GFA, the land of the Property can accommodate additional construction with a GFA of approximately 192,895.00 sq. m., equivalent to an undeveloped plot ratio of about 2.569. This un-utilized development potential of the land of the Property is referred to the "Un-utilized Portion". We have value the Un-utilized Portion of the land of the Property by considering the sales of industrial lands in the same industrial park as the Property. The comparables are primarily selected based on the following criteria:

(i) the comparables are located in the same industrial park as the Property;

(ii) the comparables are recent actual transactions;

(iii) the comparables have the same usage, class and plot ratio as the Property; and

(iv) the comparables have similar land use rights terms.

The details of the selected comparables which are exhaustive and representative based on the aforesaid selection criteria are tabulated below with relevant adjustments:

| | **Comparable 1** | **Comparable 2** | **Comparable 3** |
|---|---|---|---|
| **Project Name** | Guangdong Know Ngan Packaging Company Limited (廣東懂顏包裝有限公司) | Guangdong Jeff Antimony Technology Company Limited (廣東傑夫精銻科技有限公司) | Yingde Runtai Textile Technology Company Limited (英德市潤泰紡織科技有限公司) |
| **Property Address** | Lot ZNA-03-13-01, Zhongnan Industrial Area, Guangde (Yingde) Industrial Park, Guangqing Special Economic Cooperation Zone, Guangdong Province | Lot ZNA-03-15-02, Zhongnan Industrial Area, Guangde (Yingde) Industrial Park, Guangqing Special Economic Cooperation Zone, Guangdong Province | Lot ZNA-02-08-01, Zhongnan Industrial Area, Guangde (Yingde) Industrial Park, Guangqing Special Economic Cooperation Zone, Guangdong Province |
| **City** | Yingde City | Yingde City | Yingde City |
| **Usage** | Industrial | Industrial | Industrial |
| **Class of Land** | Level 10 | Level 10 | Level 10 |
| **Site Area** *(sq. m.)* | 18,822.86 | 33,721.62 | 24,022.23 |
| **Permissible Plot Ratio (Maximum)** | 2.80 | 2.80 | 2.80 |
| **Maximum Permitted GFA** *(sq. m.)* | 52,704.01 | 94,420.54 | 67,262.24 |
| **Methods for Selling** | Public listing | Public listing | Public listing |
| **Land Use Rights Terms** | 50 years | 50 years | 50 years |

| | Comparable 1 | Comparable 2 | Comparable 3 |
|---|---|---|---|
| **Land Premium** *(RMB)* | 7,800,000 | 13,900,000 | 9,800,000 |
| **Accommodation Unit Rate** *(RMB/sq. m. GFA)* | 148 | 147 | 146 |
| **Transaction Date** | 16/4/2025 | 7/3/2025 | 10/12/2024 |
| **Average Adjusted Accommodation Unit Rate** *(RMB/sq. m. GFA)* | | 142 | |

The accommodation unit rates of the comparables ranged from RMB146 to RMB148 per sq. m. In our valuation, we have considered different attributes between the land of the Property and the comparable land in terms of location, use, size and land use rights terms, and have made adjustments accordingly. In applying adjustments to the comparables, a downward adjustment would be made to the unit rate of the comparables if it is superior to the subject Property in terms of the aforementioned attributes, and vice versa. Having considered the above adjustments to the comparables, we have arrived a conclusion of an average adjusted unit rate at RMB142 per sq. m. of GFA and adopted it as the valuation of the Un-utilized Portion of the land of the Property.

The market value of the Un-utilized Portion of the Property is calculated by multiplying the average adjusted accommodation unit rate (RMB142 per sq. m. of GFA) and the un-utilized permitted GFA of about 192,895.00 sq. m.

9. As advised by the Group, the foundation and land enhancement works of the Additional Buildings were commenced in 2023 but suspended from 2024. As provided, the cost expended and outstanding cost for the construction works for the Additional Buildings of the Property as at the Valuation Date is about RMB21,642,000 and about RMB30,034,000 respectively. In valuing the Additional Buildings, we have adopted the cost approach, incorporated the expended costs while appropriate adjustments were made to reflect the current market conditions and the existing status of the construction works. Specifically, we have adjusted the paid costs by applying a time factor of approximately 1% to account for changes in construction material prices, labour rates, and overall market inflation since the expenditures were incurred. Additionally, a depreciation factor has been applied to recognize potential depreciation due to the suspension, such as site deterioration, obsolescence of initial works, or holding costs, which is prudent given the incomplete and halted nature of the development. We have taken into account the expended cost in our valuation after these adjustments to determine the market value of Additional Buildings as RMB21,000,000. This methodology aligns with normal market practice for assessing Construction in Progress (CIP) properties, where historical costs are updated for temporal and condition-related influences to derive a fair and realistic market value.

   The capital value of the Additional Buildings, assuming completion as at the Valuation Date, was RMB51,200,000.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### (a) Directors' and chief executive's interests

As at the Latest Practicable Date, the interests and short positions of the Directors, proposed Directors and chief executives of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which were taken or deemed to have been taken under such provisions of the SFO); (ii) recorded in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of the Listed Issuers (the "**Model Code**") set out in Appendix C3 to the Listing Rules as adopted by the Company, were as follows:

| Name | Company | Capacity | Type of interest | Number of Shares | Approximate % of Shareholding *(Note 1)* |
|---|---|---|---|---|---|
| Mr. Yue Man Yiu Matthew | Company | Beneficial owner | Long position | 3,000,000 | 0.12% |

*Note:*

1. The percentage is calculated on the basis of 2,598,561,326 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, proposed directors and chief executives of the Company had any interest or short position in the Shares, underlying shares or debentures of the Company and any of its associated corporations which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have been taken under such provisions of the

SFO) or the Model Code adopted by the Company; or (ii) entered in the register required to be kept under Section 352 of the SFO.

**(b) Substantial shareholders' and other persons' interests in the Shares and underlying shares of the Company**

As at the Latest Practicable Date, so far as was known to the Directors or chief executive of the Company based on the register maintained by the Company pursuant to Part XV of the SFO, other than the interests of the Directors, proposed directors and chief executives of the Company as disclosed above, Shareholders who had interests or short positions in the Shares or underlying shares of the Company of 5% or more which need to be disclosed to the Company under the provisions of Divisions 2 and 3 of part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO, were as follows:

| **Name of Shareholder** | **Capacity** | **Type of interest** | **Number of Shares** | **Approximate% of issued share capital of the Company** *(Note 1)* |
|---|---|---|---|---|
| SCHK | Beneficial owner *(Note 2)* | Long Position | 1,234,862,964 | 47.52% |
| | Interest held jointly with other persons *(Note 3)* | Long Position | 710,528,316 | 27.34% |
| Science City | Interest of controlled corporation *(Note 2)* | Long Position | 1,945,391,280 | 74.86% |
| Mr. Tse | Beneficial owner | Long Position | 282,948,047 | 10.89% |
| | Interest of controlled corporation *(Note 4)* | Long Position | 427,580,269 | 16.45% |
| | Interest held jointly with other persons *(Note 3)* | Long Position | 1,234,862,964 | 47.52% |
| Crisana | Beneficial owner *(Note 4)* | Long Position | 165,840,120 | 6.38% |
| | Interest held jointly with other persons *(Note 3)* | Long Position | 1,779,551,160 | 68.48% |
| Charming Future | Beneficial owner *(Note 4)* | Long Position | 209,768,922 | 8.07% |
| | Interest held jointly with other persons *(Note 3)* | Long Position | 1,735,622,358 | 66.79% |
| Leading Star | Beneficial owner *(Note 4)* | Long Position | 51,971,227 | 2.00% |
| | Interest held jointly with other persons *(Note 3)* | Long Position | 1,893,420,053 | 72.86% |

*Notes:*

1. The percentage is calculated on the basis of 2,598,561,326 Shares in issue as at the Latest Practicable Date.

2. SCHK is wholly owned by Science City. As such, Science City was deemed to be interested in 1,945,391,280 Shares by virtue of Part XV of the SFO. Mr. Lin Ruhai, Mr. Wu Zhongming, Mr. Tao Ying, Ms. Yang Ying and Mr. Yan Weihao hold positions within or are designated by the Science City Group.

3. On 24 May 2019, SCHK, Mr. Tse, Leading Star, Crisana and Charming Future entered into the Concert Party Agreement. SCHK, Mr. Tse, Leading Star, Crisana and Charming Future are parties acting in concert. As such, SCHK, Mr. Tse, Leading Star (being wholly owned by Mr. Tse), Crisana (being wholly owned by Mr. Tse) and Charming Future (being wholly owned by Mr. Tse) are deemed to be interested in 80.66% of the issued share capital of the Company by virtue of Part XV of the SFO.

4. 51,971,227 Shares were held by Leading Star, 165,840,120 Shares were held by Crisana and 209,768,922 Shares were held by Charming Future. As Leading Star, Crisana and Charming Future are all companies wholly and beneficially owned by Mr. Tse, he is deemed to be interested in the Shares held by Leading Star, Crisana and Charming Future by virtue of Part XV of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any other persons or companies (other than the interests of the Directors, proposed directors and chief executives of the Company as disclosed above) who had any interest or short position in the Shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

## 4. COMPETING INTERESTS

As at the Latest Practicable Date, so far as the Directors are aware, none of the Directors, proposed directors of the Company or their respective close associates had any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

## 5. DIRECTORS' INTERESTS IN ASSETS, CONTRACTS OR ARRANGEMENTS

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or their respective associates was materially interested, directly or indirectly, in any contract or arrangement subsisting, which was significant in relation to the business of the Group.

As at the Latest Practicable Date, save as disclosed in this circular, none of the Directors or their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

## 6. MATERIAL LITIGATION

As at the Latest Practicable Date and so far as the Directors are aware, no member of the Group was engaged in any litigation, claims or arbitration of material importance and there was no litigation or claim or arbitration of material importance known to the Directors to be pending or threatened by or against any member of the Group.

## 7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) have been entered into by the members of the Group within the two years preceding the Latest Practicable Date and which are, or may be, material:

(a) the SCFL Equity Transfer Agreement;

(b) the Hengcheng Equity Transfer Agreement;

(c) the equity transfer agreement dated 21 April 2025 and entered into between Guangzhou Yuyuan Real Estate Development Co., Ltd.* ("**Yuyuan Real Estate**", 廣州御園地產發展有限公司, an indirect wholly-owned subsidiary of the Company) (as seller) and Lvshang Technology (Guangzhou) Co., Ltd.* ("**Lvshang Technology**", 呂尚科技(廣州)有限公司) (as purchaser), 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), at a consideration of RMB60.0 million;

(d) the construction agreements dated 10 February 2023 and entered into between Hengcheng, Science City (Guangzhou) Architecture and Construction Co., Ltd.* ("**SC (GZ) Construction**", 科學城(廣州)建築工程有限公司) and Guangzhou Construction Industry Development Co., Ltd.* ("**Guangzhou Construction**", 廣州建築產業開發有限公司), pursuant to which Guangdong Hengcheng agreed to engage SC (GZ) Construction (as lead contractor) and Guangzhou Construction (as joint-contractor) for the provision of construction services for design and construction work in relation to civil foundation constructions, renovation, electricity and gas constructions, drainage constructions, road constructions and lighting constructions etc. for the household products production and development project (phase 2) on the site located in Guangde (Yingde) Industrial Park (the "**Construction**") for a total consideration of RMB181,784,028.60 (inclusive of tax); and

(e) the supplemental construction agreement dated 24 January 2024 and entered into between Hengcheng, SC (GZ) Construction and Guangzhou Construction, pursuant to which it was agreed that the total consideration for the provision of construction services for the Construction shall be reduced to RMB51,676,662.62 (inclusive of tax).

## 8. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given their opinions or advice which are included in this circular:

| Name | Qualifications |
|---|---|
| Ignite Capital (Asia Pacific) Limited | A licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |
| Grant Thornton Hong Kong Limited | Certified Public Accountants under the Professional Accountants Ordinance (Cap. 50 of the Laws of Hong Kong) and Registered Public Interest Entity Auditor under the Accounting and Financial Reporting Council Ordinance (Cap. 588 of the Laws of Hong Kong) |
| International Valuation Limited | Independent professional valuer |

As at the Latest Practicable Date, the above experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their respective letter(s), report(s), advice(s) in the form and context in which it is included and all references to their respective names in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above experts were not beneficially interested in the share capital of any member of the Group nor did they have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did they have any interest, either direct or indirect, in any assets which have been, since 31 December 2024, the date to which the latest published audited consolidated financial statements of the Group were made up, acquired, disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 9. MISCELLANEOUS

The registered office of the Company is situated at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The head office and principal place of business in Hong Kong of the Company is situated at Room 607, 6/F, Tsim Sha Tsui Centre, West Wing, 66 Mody Road, Tsim Sha Tsui East, Kowloon, Hong Kong.

The joint company secretaries of the Company are Ms. Zhong Yuhua and Mr. Cheng Ching Kit. Ms. Zhong Yuhua joined the Group in April 2024 and has over 14 years of experience in legal and compliance, corporate governance and investor relations. She had previously worked in roles at various companies responsible for legal, compliance, information disclosure and risk management. As Ms. Zhong Yuhua does not possess the qualifications or relevant experience to fulfil the requirements under Rule 3.28 of Listing Rules, a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 of the Listing Rules was granted by the Stock Exchange for a period of three years. As a condition of the wavier, Ms. Zhong Yuhua must be assisted by Mr. Cheng Ching Kit as a joint company secretary during the waiver period. Mr. Cheng Ching Kit is an associate member of both The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom and meets the relevant requirements under Rule 3.28 of the Listing Rules.

The Company's principal share registrar and transfer office is Suntera (Cayman) Limited, whose address is at Suite 3204, Unit 2A, Block 3, Building D, P.O. Box 1586, Gardenia Court, Camana Bay, Grand Cayman KY1-1100, Cayman Islands.

The share registrar of the Company is Tricor Investor Services Limited, whose address is at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

## 10. DOCUMENTS ON DISPLAY

Copies of the following documents are on display and are published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at royale.todayir.com for a period of 14 days from the date of this circular:

1. the SCFL Equity Transfer Agreement;

2. the Hengcheng Equity Transfer Agreement;

3. the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;

4. the letter from the Independent Financial Adviser, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;

5. the report from Grant Thornton Hong Kong Limited in respect of the financial information of the SCFL, the text of which is set out in Appendix IIA to this circular;

6. the report from Grant Thornton Hong Kong Limited in respect of the financial information of the Hengcheng, the text of which is set out in Appendix IIB to this circular;

7. the report from Grant Thornton Hong Kong Limited on the unaudited pro forma financial information of the Remaining Group, the text of which is set out in Appendix III to this circular;

8. the valuation report on SCFL issued by the Valuer, the text of which is set out in Appendix V to this circular;

9. the valuation report on Hengcheng issued by the Valuer, the text of which is set out in Appendix VI to this circular;

10. the property valuation report (as at 30 June 2025) issued by the Valuer, the text of which is set out in Appendix VIIA to this circular;

11. the property valuation report (as at 31 August 2025) issued by the Valuer, the text of which is set out in Appendix VIIB to this circular; and

12. the written consents referred to in the paragraph headed "Experts' Qualifications and Consents" in this appendix.

* *For identification purposes only*

# 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)**

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the "**EGM**") of Royale Home Holdings Limited (the "**Company**") will be held at Yuzun (御尊) Conference Room of Guangzhou Royal Palace Hotel, No. 99, Zhuxian Road, Xiancun Town, Zengcheng District, Guangzhou, China on Friday, 28 November 2025 at 3:00 p.m., for the purpose of considering and, if thought fit, passing, with or without modifications, the following resolution.

Unless otherwise defined, capitalised terms used in this notice shall have the same meaning as those defined in the circular of the Company dated 11 November 2025 (the "**Circular**").

### ORDINARY RESOLUTION

"**THAT**:

(a) the SCFL Equity Transfer Agreement (a copy of which is tabled before the meeting marked "A" for identification purpose) in relation to the proposed disposal of the SCFL Equity Interest and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified;

(b) the Hengcheng Equity Transfer Agreement (a copy of which is tabled before the meeting marked "B" for identification purpose) in relation to the proposed disposal of the Hengcheng Equity Interest and the transactions contemplated thereunder, be and are hereby approved, confirmed and ratified; and

* *For identification purposes only*

(c) any one of the Directors be and is hereby authorised to do all such acts and things and execute and deliver all relevant documents for and on behalf of the Company as he/she considers necessary, desirable, appropriate or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Disposal Agreements and the transactions contemplated thereunder."

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

Hong Kong, 11 November 2025

*Registered office:*
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

*Head office and principal place of business in Hong Kong:*
Room 607, 6/F
Tsim Sha Tsui Centre West Wing
66 Mody Road, Tsim Sha Tsui East
Kowloon
Hong Kong

*Notes:*

1. A member of the Company entitled to attend and vote at the EGM convened by the above notice is entitled to appoint one or more proxies (if he/she is a holder of more than on share) to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy must be in writing under the hand of the appointor or his/her attorney duly authorised in writing, or if the appointor is a corporation, either under its common seal, or under the hand of an officer or attorney duly authorised on that behalf, and must be deposited at the branch share registrar of the Company in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong together with a power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney, not less than 48 hours before the time appointed for holding the EGM or adjourned meeting. Completion and delivery of the form of proxy will not preclude a member from attending and voting in person at the EGM or adjourned meeting.

3. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and, for this purpose, seniority shall be determined by the order in which the names stand in the register in respect of the joint holding of such share.

4. The register of members of the Company will be closed from Tuesday, 25 November 2025 to Friday, 28 November 2025, both days inclusive, for the purpose of ascertaining shareholders' entitlement to attend and vote at EGM. The record date for determining the eligibility of the shareholders to attend and vote at the EGM will be 28 November 2025. In order to be eligible to attend and vote at the EGM to be held on Friday, 28 November 2025, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 24 November 2025.

5. Pursuant to Rule 13.39(4) of the Listing Rules, the resolution as set out in this notice will be decided by poll at the EGM. Where the chairman in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted, such resolution will be decided by a show of hands.