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ROYALE HOME HOLDINGS LIMITED

皇朝家居控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1198)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2025

RESULTS

The board of directors (the “Board”) of Royale Home Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (together, the “Group”) for the year ended 31 December 2025 (the “Reporting Period”), together with the comparative figures for the year ended 31 December 2024. The annual results for the year ended 31 December 2025 have been reviewed by the Company’s audit committee.

* For identification purposes only

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2025

		2025	2024
	Notes	RMB'000	RMB'000
Revenue	4	381,091	525,607
Cost of sales		<u>(362,064)</u>	<u>(490,196)</u>
Gross profit		19,027	35,411
Other income and gains	4	64,387	68,010
Selling and distribution expenses		(70,706)	(100,166)
Administrative expenses		(135,441)	(128,942)
Gain on disposal of a subsidiary and an associate	6	60,703	–
(Loss)/Gain arising from change in fair value of investment properties	6	(51,062)	1,978
Provision for expected credit loss (“ECL”) allowance of trade receivables, other receivables and contract assets	6	(52,147)	(70,115)
Provision for impairment of assets	6	(66,895)	(31,049)
Other expenses		(24,284)	(18,747)
Finance costs	5	(213,583)	(171,656)
Share of results of associates	6	<u>(144,339)</u>	<u>(16,297)</u>
Loss before income tax		(614,340)	(431,573)
Income tax (expense)/credit	7	<u>(2,329)</u>	<u>83,267</u>
Loss for the year		<u>(616,669)</u>	<u>(348,306)</u>
Loss for the year attributable to:			
Owners of the Company		(602,796)	(334,391)
Non-controlling interests		<u>(13,873)</u>	<u>(13,915)</u>
		<u>(616,669)</u>	<u>(348,306)</u>
Loss per share attributable to owners of the Company	9		
Basic and diluted (<i>RMB cents</i>)		<u>(24.327)</u>	<u>(13.495)</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2025

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2025

	<i>Notes</i>	2025 RMB'000	2024 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		490,681	715,672
Investment properties		550,116	601,178
Intangible assets		2,309	2,056
Right-of-use assets		215,480	259,851
Goodwill		3,952	25,052
Investments in associates		749,942	1,248,638
Amounts due from associates	12	1,097,412	–
Deferred tax assets		37,245	46,000
Prepayments, deposits and other receivables		83,575	98,697
Restricted bank deposits		500	5,318
		3,231,212	3,002,462
Current assets			
Inventories		223,547	271,352
Trade receivables	10	204,658	232,020
Prepayments, deposits and other receivables		746,589	343,898
Contract assets		1,088	2,173
Amounts due from associates	12	–	1,090,685
Restricted bank deposits		12,482	5,031
Cash and cash equivalents		78,299	20,452
		1,266,663	1,965,611
Assets classified as held for sale		–	60,000
		1,266,663	2,025,611

		2025	2024
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Trade payables	11	146,837	205,795
Other payables and accruals		152,948	207,802
Lease liabilities		8,980	9,656
Borrowings		710,237	1,105,953
Loan from the ultimate holding company	12	19,691	924,769
Loan from fellow subsidiaries	12	100,318	54,169
Loan from an associate	12	–	27,200
Loan from non-controlling interests	12	51,073	47,342
Tax payable		66,411	82,075
		<u>1,256,495</u>	<u>2,664,761</u>
Net current assets/(liabilities)		<u>10,168</u>	<u>(699,150)</u>
Total assets less current liabilities		<u>3,241,380</u>	<u>2,363,312</u>
Non-current liabilities			
Medium term bonds		42,390	40,729
Borrowings		148,527	584,616
Loan from the ultimate holding company	12	1,956,293	–
Loan from the immediate holding company	12	198,155	114,888
Loan from a fellow subsidiary	12	75,090	–
Lease liabilities		11,580	19,466
Deferred tax liabilities		69,931	122,096
Deferred government grants		30,344	35,368
		<u>2,532,310</u>	<u>917,163</u>
Net assets		<u><u>709,070</u></u>	<u><u>1,446,149</u></u>
Equity			
Share capital		221,592	221,592
Reserves		349,860	1,073,148
		<u>571,452</u>	<u>1,294,740</u>
Equity attributable to owners of the Company		571,452	1,294,740
Non-controlling interests		137,618	151,409
		<u>709,070</u>	<u>1,446,149</u>
Total equity		<u><u>709,070</u></u>	<u><u>1,446,149</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2025

1. GENERAL INFORMATION

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

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

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

2.1 BASIS OF PREPARATION

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

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

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

Going concern basis

The Group incurred a loss of approximately RMB617 million during the year ended 31 December 2025 and, as of that date, the Group had current borrowings of approximately RMB710 million while its cash and cash equivalents amounted to approximately RMB78 million. The above conditions indicated the existence of a material uncertainty which may cast a significant doubt on the Group’s ability to continue as a going concern.

In view of the aforementioned, the directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will have sufficient financial sources to continue as a going concern. The following plans and measures are formulated to mitigate the liquidity pressure and to improve the financial position of the Group:

- (i) The Group's bank and other loans of RMB631 million (2024: RMB1,334 million) are guaranteed by Science City (Guangzhou) Investment Group Co., Ltd.* ("Science City"). Science City has agreed to continue to act as the Group's guarantor for the next twelve months on all the existing and new bank and other loans with an aggregated amount of not exceeding RMB2,000 million (2024: RMB2,000 million). Based on historical experience, the directors expect that the Group is able to renew all the bank and other loans with Science City's guarantee when they expire. As of 31 December 2025, the Group also had unpledged investment properties with carrying amount of approximately RMB550 million (2024: RMB601 million) which are available for use as security to obtain new bank and other loans. Subsequent to the year end date, the Group has successfully renewed or obtained new bank and other loans in the amount of RMB280 million (2024: RMB424 million);
- (ii) The Group will continue to seek suitable opportunities to dispose of certain equity interest in both associates and subsidiaries and other assets to raise the level of liquid funds; and
- (iii) The Group will continue to implement measures to improve its operation performance, and to speed up the collection of outstanding sales proceeds and other receivables; and the Group will continue to take active measures to control costs and expenses.

The board of directors has reviewed the Group's cash flow projections prepared by management, which cover a period of not less than twelve months from 31 December 2025. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within twelve months from 31 December 2025. Accordingly, the directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

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

- (i) the successful obtaining of continuous financing from the banks and the Group's creditors;
- (ii) continuing guarantee provided from Science City;
- (iii) successfully disposing of the Group's certain equity interest in both associates and subsidiaries and other assets when suitable; and
- (iv) the successful and timely implementation of plans to improve the operation performance, speed up the collection of outstanding sales proceeds and other receivables, and control costs and expenses so as to generate adequate net cash inflows.

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

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2.2 AMENDED HKFRS ACCOUNTING STANDARDS THAT ARE EFFECTIVE FOR ANNUAL PERIODS BEGINNING ON 1 JANUARY 2025

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRS ACCOUNTING STANDARDS

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

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

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

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

³ Effective date not yet determined

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

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

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

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

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

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

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

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

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

3. OPERATING SEGMENT INFORMATION

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

The Group has four reportable segments as follows:

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

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

The businesses of the Group’s Trading of aluminium ingots and bars Segment was terminated in the current period. The carrying amounts of the assets and liabilities of Trading of aluminium ingots and bars Segment at the date of termination are transferred to Development properties for sales and property investments Segment.

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

Year ended 31 December 2025

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

Year ended 31 December 2024

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

Information about a major customer

No revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year (2024: Nil).

Geographical information

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

4. REVENUE, OTHER INCOME AND GAINS

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

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

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

Revenue from contracts with customers

(i) Disaggregated revenue information

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

31 December 2025

	Manufacture and sale of furniture <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Trading of aluminium ingots and bars <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue recognised at a point in time	312,599	8,186	–	320,785
Revenue recognised over time	52,992	7,314	–	60,306
	<u>365,591</u>	<u>15,500</u>	<u>–</u>	<u>381,091</u>

31 December 2024

	Manufacture and sale of furniture <i>RMB'000</i>	Hotel operations <i>RMB'000</i>	Trading of aluminium ingots and bars <i>RMB'000</i>	Total <i>RMB'000</i>
Revenue recognised at a point in time	402,730	8,415	5,095	416,240
Revenue recognised over time	102,576	6,791	–	109,367
	<u>505,306</u>	<u>15,206</u>	<u>5,095</u>	<u>525,607</u>

(ii) *Performance obligation*

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the year	<u>45,447</u>	<u>65,398</u>

Other income and gains

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

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

5. **FINANCE COSTS**

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

6. LOSS BEFORE INCOME TAX

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Cost of inventories sold	341,813	467,880
Cost of services provided	20,251	22,316
Depreciation of property, plant and equipment	43,525	45,162
Depreciation of right-of-use assets	19,451	21,672
Amortisation of intangible assets	511	596
Expense relating to short-term leases	1,043	1,122
Auditor's remuneration		
– Audit services	2,200	2,200
– Non-audit services	1,100	–
Employee benefit expense (including directors' remuneration):		
– Wages and salaries	111,075	126,574
– Pension scheme contributions (<i>Note</i>)	20,137	21,754
	<u>131,212</u>	<u>148,328</u>
Provision for impairment of assets		
– Impairment of goodwill	21,100	–
– Write-down to net realisable value for Inventories	45,795	31,049
	<u>66,895</u>	<u>31,049</u>
Provision for ECL allowance		
– Trade receivables	44,023	59,627
– Other receivables	7,750	10,203
– Contract assets	374	285
	<u>52,147</u>	<u>70,115</u>
Write off of property, plant and equipment	173	45,021
Write-down to net realisable value for assets classified as held for sale	–	4,647
Loss/(Gain) arising from change in fair value of investment properties	51,062	(1,978)
Foreign exchange differences, net	(6,621)	1,967
Compensation, penalties and fines	2,969	2,019
Bank interest income	(103)	(5,023)
Interest income from an associate	(50,042)	(42,503)
Share of results of associates	144,339	16,297
Gain from derecognition of leases upon early termination	(364)	(2,790)
Gain on disposal of a subsidiary and an associate	(60,703)	–
Loss on deemed disposal of interest in an associate	–	9,861
	<u><u> </u></u>	<u><u> </u></u>

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

7. INCOME TAX EXPENSE/(CREDIT)

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

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

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

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

8. DIVIDENDS

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

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

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

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Loss		
Loss attributable to owners of the Company	<u>(602,796)</u>	<u>(334,391)</u>
	Number of shares	
Shares	2025	2024
Weighted average number of ordinary shares in issue less shares held under share award scheme during the year used in the basic and diluted loss per share calculation	<u>2,477,871,326</u>	<u>2,477,871,326</u>

10. TRADE RECEIVABLES

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Trade receivables		
– Third parties	302,746	278,902
– Related parties	<u>27,504</u>	<u>34,687</u>
	330,250	313,589
Less: ECL allowance	<u>(125,592)</u>	<u>(81,569)</u>
Trade receivables, net	<u>204,658</u>	<u>232,020</u>

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

Trade receivables are mainly from sales of furniture and hotel operations. For sales of furniture, the Group's trading terms with its customers are mainly on credit, except for some new customers, where payment in advance is normally required. The credit period is generally 30 to 180 days (2024: 30 to 180 days). Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. For hotel operations, payment is generally received in advance. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivables balance. Trade receivables are non-interest-bearing.

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

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

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
At 1 January	81,569	21,942
ECL allowance recognised during the year	44,023	59,627
	<u>125,592</u>	<u>81,569</u>

11. TRADE PAYABLES

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

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

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

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

12. AMOUNTS DUE FROM/(TO) RELATED PARTIES

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

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

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

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

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

As at 31 December 2025, the loan from the immediate holding company amounting to RMB198,155,000 (2024: RMB114,888,000) is unsecured and bearing interest rate at a rate of 5.5% to 6.25% per annum (2024: 5.5% per annum) and will be repayable after one year.

13. COMMITMENTS

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

	2025 <i>RMB'000</i>	2024 <i>RMB'000</i>
Contracted, but not provided for:		
Construction in progress	–	32,083

14. EVENTS AFTER THE REPORTING PERIOD

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

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

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

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

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

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

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

BUSINESS REVIEW

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

During the year, the Group continued to deepen its strategy of high-quality brand development. For the fourth consecutive year, the Group was selected as one of the “Top 500 Most Valuable Brands in China”, comprehensively demonstrating its brand strength, bridging the gap with young consumers and building up a youthful, fashionable and energetic image of the Royale brand. Throughout the year, a series of initiatives were carried out around multi-dimensional brand empowerment, including supporting the Greater Bay Area Women’s Half Marathon, showcasing at professional exhibitions such as the International Famous Furniture Fair (Dongguan) and the Guangzhou Custom Home Furnishings Exhibition. The Group also established strategic partnerships with enterprises like Yuanhong IoT and Jianhong Consulting, and planned large-scale marketing campaigns such as the “618 Champion Livestream” and “Million Influencers Exploring Trendy Homes”, so as to achieve improvement both in brand presence and sales performance. The Group collaborated with state-owned enterprises to

launch promotion activities, facilitating the upgrades of living experiences in affordable housing. It also accelerated its global presence by formally establishing the Overseas Business Division to embark on a new journey of global development of the brand. Furthermore, the Group enhanced its market competitiveness by building a digital marketing system, collaborating with AI design and marketing technology companies to improve operational efficiency, streamlining business teams, optimizing and integrating production plants, and implementing cost-control measures to reduce operating expenses.

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

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

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

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

Inventory and prepayments, deposits and other receivables

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

Working capital

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

Liquidity and financial resources

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

Gearing ratio

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

PROSPECTS

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

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

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

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

EVENTS AFTER THE END OF THE REPORTING PERIOD

Save as disclosed in note 14 to the consolidated financial statement regarding redemption and repurchase by the Company in 2026 of all medium-term bonds outstanding as of 31 December 2025, there are no significant events affecting the Group after the year ended 31 December 2025 and up to the date of this announcement.

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

In accordance with the requirements of Rules 13.20 and 13.22 of the Listing Rules, the following were the details of advances to entity and financial assistances to an affiliated company of the Group which, together in aggregate, exceed 8% of the Group's total assets as at 31 December 2025.

Name of counterparty/ affiliated company	Amount	Nature	Interest rate	Repayment terms/method of repayment and maturity date	Security/collateral	Source of funding	Banking facilities utilised or to be utilised which are guaranteed by the Group
1. Gangke ⁽¹⁾	Principal amount of up to RMB732 million	Shareholder's loan	8%-12.5% per annum	Repayable on demand	Unsecured	The Group's internal resources	N/A
2. Gangke ⁽²⁾	Principal amount of up to RMB30 million	Loan	12.5% per annum	Repayable on demand	Unsecured	The Group's internal resources	N/A

Name of counterparty/ affiliated company	Amount	Nature	Interest rate	Repayment terms/method of repayment and maturity date	Security/ collateral	Source of funding	Banking facilities utilised or to be utilised which are guaranteed by the Group
3. Gangke ⁽³⁾	Maximum RMB320 million	Share pledge provided by Wanlibao for the benefit of Industrial and Commercial Bank of China Limited, Xintang, Guangzhou Branch (中國工商銀行股份有限公司廣州新塘支行) over the 40% equity interests in the Gangke held by Wanlibao to secure the repayment of bank loan by Gangke	N/A	N/A	N/A	N/A	RMB196.8 million
4. Gangke ⁽⁴⁾	Maximum RMB13 million	Guarantee provided by Wanlibao for the benefit of Guangzhou Yuexiu Industrial Investment Co., Ltd.* (廣州越秀實業投資有限公司) to guarantee the repayment of bank loan by Gangke	N/A	N/A	N/A	N/A	RMB8.7 million
Total	<u>RMB1,095 million</u>						<u>RMB205.5 million</u>

Notes:

- (1) Pursuant to a joint venture agreement dated 27 October 2020 (the “JV Agreement”), the parties agreed to establish Gangke for the purpose of acquiring a parcel of land situated at Hengling Village, Shitan Town, Zengcheng District, Guangzhou* (廣州市增城區石灘鎮橫嶺村) of residential (and commercial) uses with a total land area of approximately 196,435.11 square metres (the “Target Land Parcel”). Gangke has successfully acquired the Target Land Parcel at the public auction held on 11 November 2020. Under the JV Agreement, the maximum commitment of Guangzhou Wanlibao Industrial Holdings Co., Ltd. (formerly known as Guangzhou Wanlibao Investment Co., Ltd.* (廣州萬利寶投資有限公司)) (“Wanlibao”) to Gangke, determined based on the shareholding percentage of Wanlibao in Gangke (i.e. 40%), amounts to RMB1.532 billion (the “Total Commitment”). Gangke represents an investment in an associate of the Company. Its equity interest is held as to 40% by Wanlibao (a wholly-owned subsidiary of the Company) and 60% by Jiangsu Ganglong Huayang Real Estate Co., Ltd.* (“Jiangsu Ganglong”, 江蘇港龍華揚置業有限公司), an indirect wholly-owned subsidiary of Ganglong China Property Group Limited (the shares of which are listed on the Main Board of the Stock Exchange (stock code: 6968)).

* For identification purposes only

Wanlibao has extended to Gangke a shareholder's loan, being a part of the Total Commitment, representing a commitment and obligation of the Group under the JV Agreement, which is binding on the Group. Pursuant to a letter of confirmation dated 5 January 2022 entered into between Wanlibao and Gangke, the parties have agreed and confirmed the provision of a shareholder's loan (the "Shareholder's Loan") in the principal amount of up to RMB732 million and that certain previous contributions made shall be deemed to be and construed as advances provided by Wanlibao to Gangke under the Shareholder's Loan (and the date of such advances shall be deemed to be and construed as the date of drawdown under the Shareholder's Loan).

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

- (2) Guangzhou Royal Furniture Company Limited* ("Guangzhou Royal", 廣州皇朝家具有限公司), an indirect wholly-owned subsidiary of the Company, extended a loan to Gangke in the principal amount of up to RMB30.0 million (the "Loan"). The Loan was provided as further financial support for the Development Project, demonstrating the Group's continuous dedication in solidifying its investment as well as locking future return. As a key investment of the Group, the Group remains committed to the exploitation and realization of its potential, and will utilize its resources for such purpose having regard to the Group's funding needs, cash flow positions and business plan and strategy.
- (3) A pledge over 40% of the equity interest in Gangke held by Wanlibao was provided by Wanlibao in favour of Industrial and Commercial Bank of China Limited, Xintang, Guangzhou Branch (中國工商銀行股份有限公司廣州新塘支行) pursuant to the terms of pledge agreement dated 29 September 2021 entered into between Wanlibao as pledgor and the lender as pledgee to secure the repayment of a maximum loan amount of RMB320 million. The pledge was provided by the Group in support of the Development Project, which enabled Gangke to obtain external financings while at the same time creating no immediate capital outflow for the Group.
- (4) A guarantee was provided by Wanlibao in favour of Guangzhou Yuexiu Industrial Investment Co., Ltd.* (廣州越秀實業投資有限公司) pursuant to the terms of guarantee agreement dated 23 March 2023 entered into between Wanlibao as guarantor and the lender as guarantee to guarantee the repayment of a maximum loan amount of RMB13 million. The guarantee was provided by the Group in support of the Development Project, which enabled Gangke to obtain external financings while at the same time creating no immediate capital outflow for the Group.

* For identification purposes only

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

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

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2025 was 748 (2024: 949). The Group's remuneration policies are in line with local market practices where the Group operates and are normally reviewed on an annual basis. In addition to salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus.

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

EXTRACT OF INDEPENDENT AUDITOR'S REPORT

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

Opinion

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

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

Material Uncertainty related to Going Concern

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

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the code provisions under Corporate Governance Code (the “CG Code”) as set out in Appendix C1 to the Listing Rules throughout the Reporting Period except for the following deviation:

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

During the year ended 31 December 2025, Mr. Lin Ruhai has concurrently taken both the positions as Chairman and CEO, and was responsible for the corporate strategic planning and overall business development of the Group. Mr. Lin Ruhai has extensive experience and his duties of overseeing the Group’s operations are considered to be beneficial to the Group. The Company considers having Mr. Lin Ruhai acting as both Chairman and CEO would provide strong and consistent leadership to the Group and facilitate the efficient execution of business strategies within the Group. Since the Directors will meet regularly to consider major matters affecting operations of the Company, the Directors and the management of the Company believe that this structure will enable the Company to make and implement decisions promptly and efficiently. As a result, the Company currently does not propose to separate the functions of Chairman and CEO. The Board will continue to review and consider splitting the roles of Chairman and CEO at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2025 as set out in the preliminary announcement have been agreed by the Company’s auditors, Grant Thornton Hong Kong Limited, to the amounts set out in the Group’s consolidated financial statements for the year. The work performed by the Company’s auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Company’s auditors on the preliminary announcement.

AUDIT COMMITTEE

The Audit Committee has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written term of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process, accounting principles, risk management and internal control systems of the Group and to review and monitor the appointment of the auditors and their independence. The Audit Committee has also held meeting with the Group’s external auditors without the presence of executive directors and management of the Group, to discuss matters arising from the auditing, internal controls and financial reporting, including the review of the annual results for the year ended 31 December 2025, and report to the Board of material issues, if any, and make recommendations to the Board. The Audit Committee consists of three independent non-executive Directors namely Mr. Yue Man Yiu Matthew, who is the chairman of the Audit Committee, Mr. Lau Chi Kit and Mr. Chan Wing Tak Kevin. The Audit Committee has reviewed the Group’s consolidated financial statements for the year ended 31 December 2025.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

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

FINAL DIVIDENDS

The Board has resolved not to recommend the payment of a final dividend for the year ended 31 December 2025 (2024: nil).

PUBLIC FLOAT

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

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Company (royale.todayir.com) and the Stock Exchange (www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2025 containing all the information required by the Listing Rules will be despatched to shareholders of the Company requiring printed copies and published on the abovementioned websites in due course.

By order of the Board
Royale Home Holdings Limited
Lin Ruhai

Chairman, Executive Director and Chief Executive Officer

Hong Kong, 31 March 2026

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