

2026

INTERIM REPORT



ROYALE HOME HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 1198

CORPORATE INFORMATION

DIRECTORS

Executive Director

Mr. Lin Ruhai
(Chairman and Chief Executive Officer)

Non-executive Directors

Mr. Wu Zhongming
Mr. Tao Ying (resigned on 16 July 2026)
Ms. Yang Ying
Mr. Liang Junfeng (appointed on
16 July 2026)
Mr. Yan Weihao

Independent Non-executive Directors

Mr. Lau Chi Kit
Mr. Yue Man Yiu Matthew
Mr. Chan Wing Tak Kevin

AUDIT COMMITTEE

Mr. Yue Man Yiu Matthew (Chairman)
Mr. Lau Chi Kit
Mr. Chan Wing Tak Kevin

REMUNERATION COMMITTEE

Mr. Lau Chi Kit (Chairman)
Mr. Yue Man Yiu Matthew
Mr. Chan Wing Tak Kevin

NOMINATION COMMITTEE

Mr. Lau Chi Kit (Chairman)
Mr. Yue Man Yiu Matthew
Ms. Yang Ying

JOINT COMPANY SECRETARIES

Mr. Cheng Ching Kit
(resigned on 27 August 2026)
Ms. Zhong Yuhua
(resigned on 27 August 2026)
Ms. Zhao Xiaoqing
(appointed on 27 August 2026)
Ms. Lam Chin Hei
(appointed on 27 August 2026)

AUDITOR

Grant Thornton Hong Kong Limited

LEGAL ADVISERS AS TO HONG KONG LAW

Cheng & Kwan Lawyers
In association with Silkroad,
Anchorite & Sage (Hong Kong) Law Firm

PRINCIPAL BANKERS

Bank of Communications Co., Ltd.
Hong Kong Branch
Bank of China
The Hongkong and Shanghai Banking
Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Suntera (Cayman) Limited
Suite 3204, Unit 2A
Block 3, Building D
P.O. Box 1586, Gardenia Court
Camana Bay, Grand Cayman, KY1-1100
Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

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 1204, 12/F
Wing On Plaza
62 Mody Road
Tsim Sha Tsui East
Kowloon, Hong Kong

STOCK CODE

1198

INVESTOR RELATIONS

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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2026, the domestic macro-economy maintained stable operation, while the furniture and home furnishing industry as a whole remained in a consolidation phase. Demand for new-home furniture packages remained sluggish, leading to intensified market competition in the industry. As renovation of existing old homes, partial home retrofitting and quality-improvement home furnishing demand provided structural support, we witnessed steady growth in consumption demand for whole-house renovation, elder-friendly home furnishings, and green smart home products. From a medium-to-long-term perspective, the existing home renovation market will become the core growth driver of the industry, with whole-house integrated furnishing solutions, smart home products, elder-friendly products and overseas market layout offering ample development opportunities.

In June 2026, the Group was selected as one of the “Top 500 Most Valuable Brands in China” for the fifth consecutive year with a brand value of RMB30.875 billion, ranking 363rd in the list. A number of products of the Group have been successfully listed on the National Commercial Quality Monitoring and Service Platform, fully demonstrating the Group’s product quality advantage. Against the backdrop of industry consolidation, the Group’s brand value registered steady growth, reflecting recognition of the operational resilience and comprehensive strength of the Royale brand by the broad consumer base and capital market.

During the six months ended 30 June 2026 (the “Reporting Period”), the Group steadily advanced its globalization strategy by pushing forward the implementation of multi-regional and omni-channel overseas business layouts. In terms of the B-end engineering business, the Group deepened its presence in the core markets in Central Asia and Southeast Asia, and continued to secure commercial partnerships with local developers and hotel chain groups. In terms of the C-end retail channel, the Group steadily expanded its footprint, with preliminary establishment of online e-commerce channels in Southeast Asia and the United States. Preparatory work for the offline distribution cooperation system in Spain was carried out in an orderly manner. Meanwhile, the Group identified partners with local resource advantages to improve its overseas offline distribution network. In addition, the Group developed new overseas customers through diversified channels such as participation in international professional exhibitions and online digital marketing, continuously solidifying the foundation for long-term growth of its overseas business.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

In terms of the home furnishing business, during the Reporting Period, the Group transformed the industry's consolidation phase into a strategic period for capacity building and consolidation, with an aim to comprehensively strengthen its operational foundation by focusing on product upgrade. On the channel front, the Group established a diversified traffic acquisition system, continuously advancing strategic collaborations with leading platforms such as JD Home and Suning.com to expand its online-and-offline integrated customer acquisition channels. Meanwhile, the Group focused on the development of new-media live-streaming and O2O localized operation models to precisely reach end consumers, injecting growth momentum into its channel network. On the operation and management front, the Group continued to drive internal efficiency enhancement, optimizing supply chain management and the order fulfillment system to shorten delivery lead times. The Group also comprehensively implemented digital upgrades across the entire value chain covering research and development, production and sales to establish a closed-loop data flow from front-end sales to back-end production, thereby improving overall operational efficiency and strengthening market responsiveness.

In terms of the industrial renovation business, during the Reporting Period, the Group continued to implement its strategy of focusing on the high-end segment of industrial renovation business, and accelerated the market-oriented transformation of this business segment, with the proportion of output value from external markets continuing to rise. Firstly, the Group deepened strategic collaborations with core clients, continuously strengthening strategic partnerships with core clients including major technology enterprises and renowned real estate groups. During the Reporting Period, the Group successfully developed several new product categories of apartment movable furniture and secured volume supply contracts, with the scale of project cooperation continuing to expand. The bidding process for the strategic procurement of leisure furniture has been completed. Secondly, the Group seized the development opportunities arising from urban renewal initiatives, advancing the development of sample projects for several key initiatives and engaging in commercial price negotiations, while actively pursuing decoration subcontracting business from large-scale infrastructure general contractors. Thirdly, the Group expanded its platform-based customer acquisition channels, adding several additional leading infrastructure general contractor accounts and securing key project awards. The Group continued to build a pipeline of supporting project resources in public healthcare facilities, high-end hotels and state-owned enterprises and public institutions, laying a solid foundation for business growth in the second half of the year. Leveraging its flexible manufacturing capabilities and integrated delivery capacity, the Group will continue to consolidate its competitive position in the high-end industrial renovation market.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW *(Continued)*

During the Reporting Period, the Group recorded a revenue of approximately RMB99.12 million, while gross profit margin increased from 5.3% to 6.6%. The Group recorded loss for the Reporting Period attributable to the owners of the parent company of RMB333.32 million, as compared to loss for the Reporting Period attributable to the owners of the parent company of RMB268.59 million for the same period of last year. This was mainly attributable to the continued pressure on the domestic manufacturing sector and the relatively significant change in the fair value of the Company's investment properties.

FINANCIAL REVIEW

Inventory and Prepayments, Deposits and Other Receivables

During the Reporting Period, the Group's inventory decreased by 14% to RMB193.17 million (31 December 2025: RMB223.55 million).

Prepayments, deposits and other receivables decreased by 59% to RMB306.95 million (31 December 2025: RMB746.59 million).

Working Capital

The Group had net current liabilities of RMB427.39 million as at 30 June 2026 (31 December 2025: net current assets of RMB10.17 million). The Group will continue to take initiatives to manage its cash flow and capital commitments.

PROSPECTS

Looking forward to the second half of 2026, the domestic home furnishing industry faces both opportunities and challenges. On the policy front, the government will continue to roll out favourable policies to boost home consumption, urban renewal, and elder-friendly renovation, providing policy support for the renovation of existing homes and the green integrated furnishing sectors, thereby laying a solid foundation for the industry's steady recovery. Meanwhile, marginal improvement in overseas home furnishing consumption demand presents structural opportunities for domestic and overseas business growth of the Group. However, multiple headwinds continue to weigh on the industry's development. In the absence of robust recovery in domestic demand for new-home furniture, homogeneous competition in the industry continues to intensify. Overseas markets face uncertainties, such as geopolitical dynamics, exchange rate fluctuations and longer localization and operational cycles. Leveraging its advantages in brand reputation, product offerings, industrial renovation and global channel networks, the Group will seize policy-driven opportunities and adopt a multi-pronged approach to mitigate cyclical downside risks, thereby driving steady and resilient operations across all business segments.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS *(Continued)*

Prospects of the Group for the second half of the year: in terms of overseas operations, the Group will seize the window of opportunities brought by the global recovery in home furnishing demand, continuing to advance its globalization strategy. The Group will focus on emerging markets such as Central Asia and Southeast Asia to solidify its local project channel partnership and business foothold, while simultaneously advancing the development of its online e-commerce system in the U.S. and steadily rolling out its offline distribution network in Europe. Leveraging its mature product portfolio and brand influence, the Group will continue to implement localized marketing strategies and build local service and operation teams, enabling targeted market positioning and multi-channel synergistic development in regional markets. Through these efforts, the Group will continuously enhance its global brand recognition and overseas market share, positioning its overseas operations to gradually emerge as a core growth driver for the Group's business growth.

In terms of the industrial renovation business, the Group will pursue a dual-pronged strategy that emphasizes both deepening of existing accounts and the expansion of new growth areas. On the existing accounts front, the Group will continue to deepen strategic partnerships with high-quality core clients, including leading real estate developers and major technology enterprises, accelerate the execution and conversion of projects on hand, track key bidding milestones, and reinforce a long-term and stable business cooperation framework. On the new growth front, the Group will continue to seize opportunities arising from the urban renewal sector. By leveraging landmark projects to create demonstration effects, the Group will expedite sample project development and commercial negotiations for renovation and redevelopment projects, while deepening collaborative synergies with central state-owned construction enterprises and large-scale decoration general contractors to steadily expand its urban renewal project order book. Concurrently, the Group will continue to build a professional engineering client acquisition system, and facilitate the onboarding of top-tier infrastructure resources within the project portfolio. The Group will refine the collaboration mechanism for engineering agents, integrate government, corporate, and industrial resources, and broaden market-based and compliant customer acquisition channels, thereby further enhancing the market share and competitive strength of its industrial renovation business.

MANAGEMENT DISCUSSION AND ANALYSIS

PROSPECTS (Continued)

The home furnishing business will focus on product quality enhancement, channel efficiency improvement, and brand empowerment, continuously consolidating the retail foundation. On the product front, we will restructure the R&D system, introduce core professional talents, upgrade the product R&D and design system, establish a standardized product matrix, launch cost-effective best-selling products, optimize production processes and intelligent design systems, and integrate production and sales operation to achieve cost reduction and efficiency enhancement. On the channel front, we will mobilize both existing and new channel resources, implement differentiated support policies for stores, revitalize existing outlets, promote upgrades and renovations of legacy stores, advance the integrated development of tailor-made and ready-made businesses, continuously expand our quality distributor network, implement the large-order marketing model at the retail level, and solidify retail market share. Meanwhile, we will strengthen brand and outlet empowerment, carry out nationwide coordinated marketing campaigns on a regular basis, roll out standardized sales tools, and boost channel confidence through brand renewal and new product launches.

On the operation and management front, the Group will continue to advance its strategy of cost reduction and efficiency enhancement. By leveraging product standardization, process standardization and scaled-up production to support larger order volumes, we will effectively dilute fixed production costs and continuously optimize overall profitability. At the same time, the Company will steadily advance its work on debt optimization and quality enhancement as well as capital recovery, continuously improve the cash flow structure, and solidify the Group's financial position for steady operation, providing solid support for the long-term development of its business.

Overall, the current operating environment of the home furnishing industry remains complex and ever-changing, and the Group's development continues to face multiple challenges brought by market competition, industry cycles and the external environment. However, with the steady advancement of reforms in the domestic real estate industry and the continuous implementation of policies to stimulate home furnishing consumption, the industry has shown long-term trend toward standardised and quality-oriented development. The Group will continue to focus on its core businesses, consolidate its core competitive advantages, seize structural development opportunities in the industry, steadily optimize its business structure, and broaden its development boundaries, so as to achieve steady business operation and high-quality development, while striving to continuously enhance overall value and deliver returns to all shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2026, the interests and short positions of the directors of the Company (the "Directors") and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Long positions in shares and underlying shares of the Company

Name of Director	Note	Number of Shares and underlying Shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital (Note a)
		Directly beneficially owned	Through controlled corporation/ family interests	Through jointly held by other persons		
Mr. Yue Man Yiu Matthew		3,000,000	–	–	3,000,000	0.12

Note:

- (a) The percentage is calculated on the basis of 2,598,561,326 Shares in issue as at 30 June 2026.

No Director has any non-beneficial personal equity interests in subsidiaries held for the benefit of the Company solely for the purpose of complying with the minimum company membership requirements.

Save as disclosed above, as at 30 June 2026, none of the Directors or chief executive had any interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 30 June 2026, the following persons of the Company (other than the Directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long positions

Name	Notes	Number of Shares and underlying Shares held, capacity and nature of interest			Total	Percentage of the Company's issued share capital (Note f)
		Directly beneficially owned	Interest held through controlled corporation	Interest held jointly with other persons (Note e)		
Science City (Guangzhou) Investment Group Co., Ltd. (科學城(廣州)投資集團 有限公司)("Science City")	(a)	–	1,945,391,280	–	1,945,391,280	74.86
SCHK	(a)	1,234,862,964	–	710,528,316	1,945,391,280	74.86
Crisana	(b)	165,840,120	–	1,779,551,160	1,945,391,280	74.86
Charming Future	(c)	209,768,922	–	1,735,622,358	1,945,391,280	74.86
Leading Star	(d)	51,971,227	–	1,893,420,053	1,945,391,280	74.86
Tse Kam Pang ("Mr. Tse")	(b) + (c) + (d)	282,948,047	427,580,269	1,234,862,964	1,945,391,280	74.86

MANAGEMENT DISCUSSION AND ANALYSIS

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES *(Continued)*

Notes:

- (a) SCHK is wholly owned by Science City, a company established in the PRC with limited liability on 21 August 1984. As such, Science City was deemed to be interested in 1,945,391,280 Shares under Part XV of the SFO. The ultimate beneficial owner of Science City is the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會).
- (b) Crisana is wholly owned by Mr. Tse.
- (c) Charming Future is wholly owned by Mr. Tse.
- (d) Leading Star is wholly owned by Mr. Tse.
- (e) On 24 May 2019, SCHK, Mr. Tse, Leading Star, Crisana and Charming Future entered into an acting in concert arrangement. SCHK, Mr. Tse, Leading Star, Crisana and Charming Future are parties acting in concert (having the meaning ascribed to it under the Takeovers Code). 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 74.86% of the issued share capital of the Company.
- (f) The percentage is calculated on the basis of 2,598,561,326 Shares in issue as at 30 June 2026.

Save as disclosed above, as at 30 June 2026, no person, other than the Directors and chief executive of the Company, whose interests are set out in the section headed "Directors' and chief executive's interests and short positions in Shares, underlying Shares and debentures" above, had any interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to section 336 of the SFO.

MANAGEMENT DISCUSSION AND ANALYSIS

PERFORMANCE SHARE AWARD PLAN

The Company has adopted a performance share award plan (the "Performance Share Award Plan") on 14 May 2021, which was amended on 12 May 2026. Pursuant to such amendments, the duration of the Performance Share Award Plan was extended for a further 5 years to 12 May 2031, and the provisions relating to the issue or allotment of new Shares to the trustee under the Performance Share Award Plan were removed. As such, the amended Performance Share Award Plan involves only the acquisition of existing Shares of the Company by the trustee on the market as awarded Shares. The Administration Committee has considered the further development of Company, the market conditions and its trading share price and instructed the trustee to purchase Shares constituting the pool of share awards. As at the date of this interim report, the trustee has purchased and holds a total of 120,690,000 Shares (31 December 2025: 120,690,000 Shares) on the market on trust for the benefit of the Selected Persons pursuant to the rules of Performance Share Award Plan and the Trust Deed. The balance of share awards held by the trustee represents approximately 4.64% (31 December 2025: 4.64%) of the total number of Shares in issue as at the date of this interim report.

During the Reporting Period, no Shares (six months ended 30 June 2025: nil) were purchased, no share awards (31 December 2025: nil) were granted and no share awards (31 December 2025: nil) were vested, cancelled or lapsed under the Performance Share Award Plan. There were no outstanding share awards under the Performance Share Award Plan as at 1 January 2026 and 30 June 2026.

The number of share awards available for grant of 129,928,066 Shares under the plan limit as at both 1 January 2026 and 30 June 2026 were 129,928,066 (31 December 2025: 129,928,066), representing 5% of the Shares in issue.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY AND FINANCIAL RESOURCES

The Group's cash and cash equivalents amounted to RMB33.87 million as at 30 June 2026 (31 December 2025: RMB78.30 million).

As at 30 June 2026, the interest-bearing bank and other borrowings amounted to RMB893.33 million (31 December 2025: RMB858.76 million), the Group had loan from the immediate holding company, loan from the ultimate holding company, loan from fellow subsidiaries and loan from minority shareholders in the total amount of RMB2,131.89 million (31 December 2025: 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 in the total amount of RMB2,443.01 million).

As of 30 June 2026, the Group's current ratio (current assets/current liabilities) was 0.63 times (31 December 2025: 1.01 times) and the net current liabilities amounted to RMB427.39 million (31 December 2025: net current assets of RMB10.17 million).

The exposure to the foreign exchange rate fluctuation during the period 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.

CAPITAL STRUCTURE

Save the redemption and repurchase of medium term bonds as disclosed in this report, there has been no material change in the capital structure of the Group during the Reporting Period.

GEARING RATIO

The gearing ratio which is defined as net debt divided by capital plus net debt was 93% as at 30 June 2026 (31 December 2025: 86%).

PLEDGE OF ASSETS

As at 30 June 2026, the Group pledged (i) buildings and right-of-use assets which had aggregate carrying values of approximately RMB366,568,000 (31 December 2025: RMB375,039,000); (ii) certain machineries amounting to RMB13,721,000 (31 December 2025: RMB14,055,000); (iii) deposits in other receivables amounting to RMB28,075,000 (31 December 2025: RMB28,075,000) to secure certain bank and other borrowings granted to the Group; and (iv) 40% equity interest in an associate of approximately RMB447,100,000 (31 December 2025: RMB536,295,000) to secure general banking facilities granted to the associate.

MANAGEMENT DISCUSSION AND ANALYSIS

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS

Particulars of significant investments in associates held by the Group as at 30 June 2026 are set out as follows:

Name	Principal activity	Percentage of equity interest held	Carrying amount		Percentage to the Group's total assets as at 30 June 2026
			30 June 2026 RMB'000	31 December 2025 RMB'000	
Guangzhou Fu Yue Design Company Limited	Design services	50%	64,251	65,460	1.70%
Sky Walk Limited	Investment	42.42%	107,247	107,247	2.84%
Guangzhou Gangke Real Estate Co., Ltd* (廣州港科置業有限公司) ("Gangke")	Real Estate	40%	447,100	536,295	11.82%

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

FUTURE PLAN FOR MATERIAL INVESTMENTS OR ACQUISITIONS OF CAPITAL ASSETS

Apart from those disclosed in this report, the Group had no other future plans for material investments or acquisitions of capital assets as at 30 June 2026.

USE OF NET PROCEEDS FROM THE SHARE SUBSCRIPTION

On 24 May 2019, the Company and SCHK entered into the Subscription Agreement ("Subscription") pursuant to which the Company has conditionally agreed to issue, and SCHK has conditionally agreed to subscribe for, in cash, 433,093,554 new shares of the Company ("Share(s)") at a price of HK\$1.02 per Share under specific mandate. The closing price quoted on the Stock Exchange on 24 May 2019 was HK\$0.96 per Share. The aggregate nominal value of the subscription shares was approximately HK\$43,309,355.4. On 2 August 2019, the Company completed the allotment and issuance of 433,093,554 new ordinary Shares. The net proceeds from the Subscription received by the Company were approximately HK\$440.2 million, equivalent to a net subscription price of approximately HK\$1.02 per Share.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

USE OF NET PROCEEDS FROM THE SHARE SUBSCRIPTION (Continued)

The details of the proposed use of net proceeds, change in use of proceeds and the actual use of proceeds during the Reporting Period are as follows:

Proposed use of proceeds	Original allocation of the net proceeds as disclosed in the Circular (HK\$ million)	Revised use of proceeds as disclosed in 2026 Annual Report (HK\$ million)	Unutilised net proceeds as at 1 January 2026 (HK\$ million)	Net proceeds utilised during the six months ended 30 June 2026 (HK\$ million)	Amount utilised up to 30 June 2026 (HK\$ million)	Unutilised proceeds as at 30 June 2026 (HK\$ million)	Expected timeline
Repayment of certain loans of the Company	100.0	100.0	-	-	100.0	-	-
Acquisition of land	30.0	30.0	-	-	30.0	-	-
Construction of new production facilities	130.0	130.0	0.9	-	129.1	0.9	By 31 December 2026 (Note)
Import of machinery for new production facilities	80.0	80.0	40.4	-	39.6	40.4	By 31 December 2026 (Note)
Expenditure for establishing warehouses/new distribution spot on the Group's land in Northern China	60.0	-	-	-	-	-	-
General working capital	40.2	100.2	-	-	100.2	-	-
Total	440.2	440.2	41.3	-	398.9	41.3	

Note: Previously, due to the outbreak of COVID-19, the Group's expansion plan in relation to the construction of new production facilities and imported machinery for new production facilities had been delayed. Due to a slow recovery of consumer demand and a weak property market in the PRC, the Company considers that focus should be put on effective resources allocation and management. It is consistent with the macroeconomic condition and the Company's position to adopt a more prudent expansion strategy with an emphasis on maintaining stable operations. It is also important to take into account the Group's financial condition together with the prevailing market conditions as a whole to determine the priority of the utilisation of funds. The expected timeline for each purpose is based on the Group's best estimate of future market conditions in combination with the business plan and market conditions, which may be subject to change based on the current and future development of market conditions. After considering a range of factors (which are analysed and disclosed in this report), including without limitation the actual business plan and funding needs of the Group, the priorities of fund utilization and business development of the Group, the overall financial condition of the Group and market conditions, the Company has made certain adjustments to the expected timeline based on the previous estimate. The Board considers that it is appropriate to extend the expected timeline for the application of such unutilised proceeds to 31 December 2026.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINGENT LIABILITIES

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

EVENTS AFTER REPORTING PERIOD

Subsequent to the Reporting Period and up to the date of this interim report, the Group did not have any other significant events.

INTERIM DIVIDEND

The Board has resolved not to declare an interim dividend for the six months ended 30 June 2026 (six months ended 30 June 2025: nil).

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2026 was approximately 682 (31 December 2025: 748). The Group's remuneration policies are in line with local market practices where the Group operates and are normally reviewed on an annual basis. In addition to salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share awards may be granted to eligible employees and persons of the Group as the Company sees it fit as an incentive to eligible participants to contribute to the business development and growth of the Group.

MANAGEMENT DISCUSSION AND ANALYSIS

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

During the Reporting Period, Mr. Lin Ruhai has concurrently taken both the positions as Chairman and CEO, 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 the 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 after taking into account the circumstances of the Group as a whole.

AUDIT COMMITTEE REVIEW

The accounting information in the interim results for the Reporting Period has not been audited by the auditors of the Company but the audit committee of the Company has reviewed the financial results of the Group for the six months ended 30 June 2026 and discussed with internal audit executives the matters on internal control and financial reports of the Group. The audit committee of the Company has not undertaken external independent audit checks regarding the interim results for the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

On 5 February 2026, the Company carried out early redemption of three issued medium term bonds at a total redemption price of RMB1,750,000. On 13 February 2026, the Company entered into a sale and purchase agreement to repurchase the 0.1% bonds due in 2064 with a principal amount of HK\$670,000,000 for a total consideration of RMB27,750,000. The repurchased bonds constitute 100% of the outstanding issued bonds as at the date thereof, and have been cancelled after completion of the repurchase.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's other securities (including sales of treasury shares (as defined in the Listing Rules)) during the six months ended 30 June 2026. As at 30 June 2026, the Company did not hold any treasury shares.

PUBLIC FLOAT

Based on the information that is publicly available and within the knowledge of the Directors of the Company, it is confirmed that there is sufficient public float of the Company's issued Shares which complied with the applicable public float requirement under the Listing Rules during the Reporting Period and as at the date of this interim report.

CHANGES IN INFORMATION OF DIRECTORS

On 16 July 2026, Mr. Tao Ying resigned as a non-executive Director due to his other work arrangement while Mr. Liang Junfeng was appointed as a non-executive Director. Mr. Liang Junfeng has obtained the legal advice referred to in Rule 3.09D of the Listing Rules on 16 July 2026 and has confirmed that he understood his obligations as a director of a listed issuer.

Save as disclosed above, there is no information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Reporting Period and up to the date of the interim report.

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULES 13.20 AND 13.22 OF CHAPTER 13 OF THE LISTING RULES AND DETAILS OF LOANS GRANTED

In accordance with the requirements of Rules 13.20 and 13.22 of the Listing Rules, the following were the details of advances to an entity and financial assistance to an affiliated company of the Group which, together in aggregate, exceed 8% of the Group's total assets as at 30 June 2026.

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 ^(*)	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 ^(*)	Principal amount of up to RMB30 million	Loan	12.5% per annum	Repayable on demand	Unsecured	The Group's internal resources	N/A
3. Gangke ^(*)	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 Gangke held by Wanlibao to secure the repayment of bank loan by Gangke	N/A	N/A	N/A	N/A	RMB194.6 million
4. Gangke ^(*)	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	RMB1,095 million						RMB203.3 million

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULES 13.20 AND 13.22 OF CHAPTER 13 OF THE LISTING RULES AND DETAILS OF LOANS GRANTED *(Continued)*

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 Investment Co., Ltd.* (廣州萬利寶投資有限公司) (“Wanlibao”) to Gangke, determined based on the shareholding percentage of Wanlibao in Gangke (i.e. 40%), amounts to RMB1.532 billion (the “Total Commitment”). Gangke represents an investment in an associate of the Company. Its equity interest is held as to 40% by Wanlibao (a wholly-owned subsidiary of the Company) and 60% by Jiangsu Ganglong Huayang Real Estate Co., Ltd.* (“Jiangsu Ganglong”, 江蘇港龍華揚置業有限公司), an indirect wholly-owned subsidiary of Ganglong China Property Group Limited (the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (stock code: 6968)).

Wanlibao has extended to Gangke a shareholder’s loan, being a part of the Total Commitment, representing a commitment and obligation of the Group under the JV Agreement, which is binding on the Group. Pursuant to a letter of confirmation dated 5 January 2022 entered into between Wanlibao 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”, 廣州皇朝傢俱有限公司), an indirect wholly-owned subsidiary of the Company, extended a loan to Gangke in the principal amount of up to RMB30.0 million (the “Loan”). The Loan was provided as further financial support for the Development Project, demonstrating the Group’s continuous dedication in solidifying its investment as well as locking future return. As a key investment of the Group, the Group remains committed to the exploitation and realization of its potential, and will utilize its resources for such purpose having regard to the Group’s funding needs, cashflow positions and business plan and strategy.

* For identification purposes only

MANAGEMENT DISCUSSION AND ANALYSIS

CONTINUING DISCLOSURE REQUIREMENTS UNDER RULES 13.20 AND 13.22 OF CHAPTER 13 OF THE LISTING RULES AND DETAILS OF LOANS GRANTED (Continued)

Notes: (Continued)

- (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 real-time 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 beneficiary 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 real-time capital outflow for the Group.

A statement of financial position of the affiliated company as at 30 June 2026 required to be disclosed under Rule 13.22 of the Listing Rules is set out below:

	Statement of financial position RMB'000
Current assets	4,412,482
Non-current assets	1
Current liabilities	(201,597)
Non-current liabilities	(2,868,144)
Net assets	1,342,742

* For identification purposes only

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2026

	Notes	Six months ended 30 June	
		2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Revenue	4	99,124	174,036
Cost of sales		(92,539)	(164,808)
Gross profit		6,585	9,228
Other income and gains	4	49,814	22,607
Selling and distribution expenses		(32,803)	(40,673)
Administrative expenses		(56,629)	(69,435)
Loss arising from change in fair value of investment properties		(97,008)	–
Provision for expected credit loss ("ECL") allowance of trade receivables, other receivables and contract assets		(21,223)	(5,349)
Provision for impairment of assets		(20,087)	(200)
Other expenses		(23,165)	(953)
Finance costs	5	(97,625)	(104,983)
Share of results of associates		(90,185)	(92,554)
Loss before income tax	6	(382,326)	(282,312)
Income tax credit	7	4,318	17,249
Loss for the period		(378,008)	(265,063)
Loss for the period attributable to:			
Owners of the Company		(333,320)	(268,587)
Non-controlling interests		(44,688)	3,524
		(378,008)	(265,063)
Loss per share attributable to owners of the Company	9		
Basic and diluted (RMB cents)		(13.452)	(10.839)

The notes on pages 27 to 40 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2026

	Six months ended 30 June	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Loss for the period	(378,008)	(265,063)
Other comprehensive income/(loss)		
<i>Items that will be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of financial statements of foreign operations	4,994	(10,946)
<i>Items that will not be reclassified subsequently to profit or loss</i>		
Translation from functional currency to presentation currency	(1,707)	(13,119)
Other comprehensive income/(loss) for the period, net of tax	3,287	(24,065)
Total comprehensive loss for the period	(374,721)	(289,128)
Total comprehensive loss attributable to:		
Owners of the Company	(330,220)	(292,708)
Non-controlling interests	(44,501)	3,580
	(374,721)	(289,128)

The notes on pages 27 to 40 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

	Notes	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		483,054	490,681
Investment properties		453,108	550,116
Intangible assets		1,986	2,309
Right-of-use assets		211,583	215,480
Goodwill		3,952	3,952
Investments in associates		659,757	749,942
Amounts due from associates		1,132,178	1,097,412
Deferred tax assets		27,716	37,245
Prepayments, deposits and other receivables		73,582	83,575
Restricted bank deposits		500	500
		3,047,416	3,231,212
Current assets			
Inventories		193,167	223,547
Trade receivables	10	189,434	204,658
Prepayments, deposits and other receivables		306,945	746,589
Contract assets		428	1,088
Restricted bank deposits		11,123	12,482
Cash and cash equivalents		33,874	78,299
		734,971	1,266,663
Current liabilities			
Trade payables	11	111,439	146,837
Other payables and accruals		168,474	152,948
Lease liabilities		10,130	8,980
Borrowings		636,943	710,237
Loan from the ultimate holding company		22,792	19,691
Loan from fellow subsidiaries		100,206	100,318
Loan from non-controlling interests		51,890	51,073
Tax payable		60,490	66,411
		1,162,364	1,256,495
Net current (liabilities)/assets		(427,393)	10,168
Total assets less current liabilities		2,620,023	3,241,380

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2026

	Notes	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Non-current liabilities			
Medium term bonds	12	–	42,390
Borrowings		256,389	148,527
Loan from the ultimate holding company		1,733,216	1,956,293
Loan from the immediate holding company		198,770	198,155
Loan from a fellow subsidiary		25,015	75,090
Lease liabilities		10,208	11,580
Deferred tax liabilities		54,613	69,931
Deferred government grants		7,463	30,344
		2,285,674	2,532,310
Net assets		334,349	709,070
Equity			
Share capital		221,592	221,592
Reserves		19,640	349,860
Equity attributable to owners of the Company		241,232	571,452
Non-controlling interests		93,117	137,618
Total equity		334,349	709,070

The notes on pages 27 to 40 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2026

Attributable to owners of the parent											
	Share capital	Shares held under share award scheme*	Share premium account*	Capital reserve*	Property revaluation reserve*	Statutory reserve*	Exchange fluctuation reserve*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
For the six months ended 30 June 2025											
(Unaudited)											
At 1 January 2025	221,592	(199,655)	934,514	(7,953)	193,975	112,910	(27,215)	66,572	1,294,740	151,409	1,446,149
Loss for the period	-	-	-	-	-	-	-	(268,587)	(268,587)	3,524	(265,063)
Other comprehensive (income)/loss for the period	-	-	-	-	-	-	(24,121)	-	(24,121)	56	(24,065)
At 30 June 2025 (unaudited)	221,592	(199,655)	934,514	(7,953)	193,975	112,910	(51,336)	(202,015)	1,002,032	154,989	1,157,021
For the six months ended 30 June 2026											
(Unaudited)											
At 1 January 2026	221,592	(199,655)	934,514	(7,953)	113,666	112,910	(67,863)	(535,739)	571,452	137,618	709,070
Loss for the period	-	-	-	-	-	-	-	(333,320)	(333,320)	(44,688)	(378,008)
Other comprehensive loss for the period	-	-	-	-	-	-	3,100	-	3,100	187	3,287
At 30 June 2026 (unaudited)	221,592	(199,655)	934,514	(7,953)	113,666	112,910	(64,763)	(869,059)	241,232	93,117	334,349

* These reserve accounts comprise the consolidated reserves of RMB19,640,000 (31 December 2025: RMB349,860,000) in the interim condensed consolidated statement of financial position.

The notes on pages 27 to 40 are an integral part of these condensed interim consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2026

	Six months ended 30 June	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Net cash flows used in operating activities	(90,107)	(149,716)
Net cash flows generated from investing activities	428,565	40,685
Net cash flows (used in)/generated from financing activities	(380,019)	161,773
Net (decrease)/increase in cash and cash equivalents	(41,561)	52,742
Cash and cash equivalents at beginning of period	78,299	20,452
Effect of foreign exchange rate changes, net	(2,864)	(26,443)
Cash and cash equivalents at end of the period	33,874	46,751

The notes on pages 27 to 40 are an integral part of these condensed interim consolidated financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2026 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting as issued by the Hong Kong Institute of Certified Public Accountants.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2025.

Going concern basis

The Group incurred a loss of approximately RMB378 million for the six months ended 30 June 2026 and, as of that date, the Group's current liabilities exceeded its current assets by approximately RMB427 million, while its cash and cash equivalents amounted to RMB34 million. The above conditions indicated the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern.

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

- (i) The Group's bank and other loans of RMB710 million are guaranteed by Science City (Guangzhou) Investment Group Co., Ltd.* ("Science City"). Science City has agreed to continue to act as the Group guarantor for the next twelve months on all their existing and new bank and other loans with an aggregated amount of not exceeding RMB2,000 million. Based on historical experience, the directors expect that the Group is able to renew all the bank and other loans with Science City's guarantee when they expire. As of 30 June 2026, the Group also has unpledged investment properties with carrying amount of approximately RMB453 million which are available for use as security to obtain new bank and other loans. Subsequent to the period end date, the Group has successfully renewed or obtained new bank and other loans of RMB40 million;
- (ii) The Group will continue to seek suitable opportunities to disposal 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 the operation performance, and to speed up the collection of outstanding sales proceeds and other receivables; and the Group will continue to take active measures to control costs and expense.

* For identification purposes only

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

1. BASIS OF PREPARATION *(Continued)*

Going concern basis *(Continued)*

The directors have reviewed the Group's cash flow projections, which cover a period of not less than twelve months from 30 June 2026. The directors are of the opinion that, taking into account the above-mentioned actions taken during the six months ended 30 June 2026 as well as the plans and measures to be implemented, the Group will have sufficient working capital to meet its financial obligations up to 30 June 2027.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

2. ADOPTION OF AMENDMENTS TO HKFRS ACCOUNTING STANDARDS

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements for the six months ended 30 June 2026 are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2025, except for the adoption of the following amended HKFRS Accounting Standards for the first time for the current period's financial information.

Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity
Amendments to HKFRS Accounting Standards	Annual Improvements to HKFRS Accounting Standards – Volume 11

The adoption of the amended HKFRS Accounting Standards had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

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 three reportable segments as follows:

- (a) Manufacture and sale of furniture
- (b) Development properties for sales and property investments
- (c) Hotel operations

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

3. OPERATING SEGMENT INFORMATION (Continued)

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

For the six months ended 30 June 2026 (Unaudited)

	Manufacture and sale of furniture RMB'000	Development properties for sales and property investments RMB'000	Hotel operations RMB'000	Total RMB'000
Segment revenue				
Sale to external customers	94,889	208	4,027	99,124
Segment results	(179,174)	(188,628)	(14,524)	(382,326)

For the six months ended 30 June 2025 (Unaudited)

	Manufacture and sale of furniture RMB'000	Development properties for sales and property investments RMB'000	Hotel operations RMB'000	Total RMB'000
Segment revenue				
Sale to external customers	165,111	262	8,663	174,036
Segment results	(100,397)	(168,106)	(13,809)	(282,312)

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

3. OPERATING SEGMENT INFORMATION *(Continued)*

Information about a major customer

No revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the period (30 June 2025: nil).

Geographical information

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

4. REVENUE, OTHER INCOME AND GAINS

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

	Six months ended 30 June	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Revenue from contracts with customers		
Sales of goods	89,458	142,766
Installation and other ancillary services	5,639	22,607
Hotel operation income	4,027	8,663
	99,124	174,036
Other income and gains		
Bank and other interest income	34,070	19,566
Foreign exchange differences, net	1,714	–
Government grants	172	665
Gain from derecognition of leases upon early termination	289	688
Gain on early redemption of bonds	12,830	–
Sales of scraps	–	1,127
Others	739	561
	49,814	22,607
	148,938	196,643

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

5. FINANCE COSTS

	Six months ended 30 June	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Interest on bank and other borrowings (including medium term bonds), loans from related parties and lease liabilities	97,625	104,983

6. LOSS BEFORE INCOME TAX

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

	Six months ended 30 June	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Cost of inventories sold	92,539	164,808
Depreciation	18,381	20,110
Amortisation of intangible assets	323	247

7. INCOME TAX CREDIT

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the period (30 June 2025: Nil). The general Corporate Income Tax rate in the PRC is 25% (30 June 2025: 25%).

	Six months ended 30 June	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
PRC Corporate Income Tax		
– Current tax	–	–
– Adjustment in respect of current tax of previous periods	(1,518)	(40,694)
Deferred tax expense	5,836	57,943
Total income tax credit for the period	4,318	17,249

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

8. DIVIDENDS

No interim dividend has been declared and paid by the Company during the six months ended 30 June 2026 (six months ended 30 June 2025: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic loss per share amounts is based on the loss for the Period attributable to owners of the Company, and the weighted average number of ordinary shares in issue less shares held under share award scheme during the Period of 2,477,871,326 (six months ended 30 June 2025: 2,477,871,326).

The Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2026 and 2025.

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

	Six months ended 30 June	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Loss		
Loss attributable to owners of the Company	(333,320)	(268,587)

	Number of shares Six months ended 30 June	
	2026 (Unaudited)	2025 (Unaudited)
Shares		
Weighted average number of ordinary shares in issue less shares held under share award scheme during the period used in the basic and diluted loss per share calculation	2,477,871,326	2,477,871,326

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

10. TRADE RECEIVABLES

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Trade receivables		
– Third parties	291,402	302,746
– Related parties (Note 14(b))	34,141	27,504
	325,543	330,250
Less: ECL allowance	(136,109)	(125,592)
Trade receivables, net	189,434	204,658

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

10. TRADE RECEIVABLES (Continued)

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:

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Within 1 year	101,720	157,287
1 to 2 years	54,886	15,206
Over 2 years	32,828	32,165
	189,434	204,658

11. TRADE PAYABLES

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Trade payables		
– Third parties	106,614	143,389
– Related parties (Note 14(b))	4,825	3,448
	111,439	146,837

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

11. TRADE PAYABLES (Continued)

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

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Within 1 month	21,695	41,689
1 to 3 months	10,660	43,697
3 to 6 months	13,327	6,274
6 to 12 months	13,534	19,442
More than 1 year	52,223	35,735
	111,439	146,837

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. MEDIUM TERM BONDS

On 5 February 2016, the Company established a medium-term bond programme with a nominal value of HK\$10,000,000 each. As at 30 June 2025 and 31 December 2024, the Company has issued the medium-term bonds (the "Bonds") with a principal amount in aggregate of HK\$700,000,000. The Bonds are non-callable until 5 February 2025 and non-puttable until 5 February 2020. Interest on the outstanding bonds will be payable annually in arrears at the nominal interest rate of 0.1% per annum first payable on 5 February 2018 and last payable on 5 February 2063 and will mature on 5 February 2064. The Bonds include early redemption right subject to not less than 450 days' written notice. The Bonds were amortised at the effective interest method by applying the effective interest rate ranging from 8.01% to 8.86% per annum.

The fair value of the medium-term bonds was estimated at the issuance date by discounting the expected future cash flows using an equivalent market interest rate for a similar bond taking into consideration the Group's own credit and liquidity risk.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

12. MEDIUM TERM BONDS (Continued)

The medium term bonds recognised in the statement of financial position were calculated as follows:

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Carrying amount at 1 January	42,390	40,729
Redeemed and repurchased	(29,500)	–
Accrued interest expenses	829	3,259
Payment for interests	(79)	(559)
Gain on early redemption	(12,830)	–
Exchange realignment	(810)	(1,039)
	–	42,390

On 5 February 2026, pursuant to an early redemption notice previously received by the Company, in respect of three Bonds, the Company redeemed such Bonds at a total redemption price of RMB1,750,000 in accordance with the deed poll constituting the Bonds (the “Deed Poll”).

On 13 February 2026, the Company and the legal and beneficial owner of the Issued Bonds (the “Vendor”) entered into an agreement (the “Sale and Purchase Agreement”) in relation to the sale and purchase of HK\$670 million principal amount of 0.1 per cent bonds due 5 February 2064 (the “Sale Bonds”), pursuant to which the Company has agreed to repurchase all the Sale Bonds from the Vendor (the “Repurchase”) for a total consideration in the sum of RMB27,750,000 (the “Consideration”). The Consideration includes all interest accrued and payable on the Sale Bonds under the Deed Poll up to and including the completion date as stated in the Sale and Purchase Agreement.

The Sale Bonds constitute 100% of the outstanding Issued Bonds as at the date hereof. After completion of the Repurchase, all the Sale Bonds so repurchased by the Company will be cancelled immediately pursuant to the Deed Poll, and there will no longer be any outstanding bonds under the Programme.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

13. CONTINGENT LIABILITIES

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

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Guarantees given to banks in connection with facilities granted to an associate	333,000	333,000

During the Period, the Group has pledged 40% (31 December 2025: 40%) equity interest in an associate, Guangzhou Gangke Real Estate Co., Ltd. ("Gangke"), to secure general banking facilities granted to Gangke.

In the opinion of the directors, as the applicable default rate was low as a result of stable financial conditions of Gangke, the fair value of the guarantees at initial recognition and the ECL allowance are not significant as at 30 June 2026 and 31 December 2025.

14. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in the interim condensed consolidated financial statements, the Group had the following transactions with related parties, namely Science City Guangzhou Investment Group Co., Ltd. ("Science City"), the then affiliates (together, "Science City Affiliates Group") and other related parties during the period:

	Six months ended 30 June 2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Science City Affiliates Group		
Sale of goods	8,957	–
Decoration services	870	4,429
Interest expenses	65,853	54,867
Guarantee fees	3,599	18,117
Recognition of right-of-use assets	5,393	–
Associates		
Interest income	32,872	19,487
Interest expense	479	1,897

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

14. RELATED PARTY TRANSACTIONS (Continued)

(b) Outstanding balances with related parties

	As at 30 June 2026 RMB'000 (Unaudited)	As at 31 December 2025 RMB'000 (Audited)
Trade receivables:		
Science City Affiliates Group	15,610	8,363
Associates	15,857	16,467
Non-controlling interest	2,674	2,674
	34,141	27,504
Other receivables:		
Science City Affiliates Group	39,740	466,545*
Non-controlling interest	6,489	732
	46,229	467,277
Trade payables:		
Science City Affiliates Group	1,497	120
Non-controlling interest	3,328	3,328
	4,825	3,448

* The balance includes consideration receivables related to disposal of a subsidiary and an associate.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2026

14. RELATED PARTY TRANSACTIONS (Continued)

(c) Compensation of key management personnel of the Group

Key management of the Group are members of the board of directors, as well as members of the "management board" of the parent company. Key management personnel remuneration includes the following expenses:

	Six months ended 30 June	
	2026 RMB'000 (Unaudited)	2025 RMB'000 (Unaudited)
Short term employee benefits	720	3,374
Pension scheme contributions	160	222
Total compensation paid to key management personnel	880	3,596

15. COMPARATIVE FIGURES

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