ROYALE FURNITURE HOLDINGS LIMITED
皇朝傢俬控股有限公司*

(Incorporated in Cayman Islands with limited liability)
(Formerly known as Chitaly Holdings Limited)
(Stock code: 1198)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2008

RESULTS

The Board of Directors of Royale Furniture Holdings Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2008 together with the comparative figures for the corresponding period in 2007. The interim results had been reviewed by the audit committee of the Company and approved by the Board.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2008

	Notes	**2008** ***HK$'000*** ***(unaudited)***	2007 *HK$'000* *(unaudited)*
REVENUE	*4*	**407,528**	237,809
Cost of sales		**(268,858)**	(168,177)
Gross profit		**138,670**	69,632
Other income and gains	*4*	**18,442**	21,355
Selling and distribution costs		**(99,903)**	(41,884)
Administrative expenses		**(32,994)**	(27,658)
Other expenses		**—**	(988)
Finance costs	*6*	**(2,109)**	(341)
Share of profits of associates		**1,811**	(57)
PROFIT BEFORE TAX	*5*	**23,917**	20,059
Tax	*7*	**(1,070)**	(189)
PROFIT FOR THE PERIOD		**22,847**	19,870
ATTRIBUTABLE TO:			
EQUITY HOLDERS OF THE COMPANY		**21,587**	18,676
MINORITY INTEREST		**1,260**	1,194
		22,847	19,870
DIVIDENDS	*8*		
Final		**7,779**	5,848
Proposed interim		**3,734**	3,509
		11,513	9,357
EARNINGS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY DURING THE PERIOD	*9*		
Basic		**6.9 cents**	6.4 cents
Diluted		**6.6 cents**	6.0 cents

** For identification purposes only*

CONDENSED CONSOLIDATED BALANCE SHEET

	Notes	30 June 2008 HK$'000 (Unaudited)	31 December 2007 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**361,140**	355,670
Prepaid land lease payments		**36,168**	14,630
Goodwill		**111,688**	111,688
Other intangible assets		**5,334**	5,729
Interest in associates		**32,910**	31,067
Total non-current assets		**547,240**	518,784
CURRENT ASSETS			
Inventories		**131,309**	159,984
Trade receivables	*10*	**87,895**	23,371
Prepayments, deposits and other receivables		**88,818**	77,091
Cash and cash equivalents		**34,344**	51,447
Non-current assets classified as held for sale		**—**	17,583
Total current assets		**342,366**	329,476
CURRENT LIABILITIES			
Trade payables	*11*	**107,543**	109,597
Other payables and accruals		**90,002**	90,469
Interest-bearing bank loan		**58,677**	30,902
Tax payable		**62,324**	61,254
Total current liabilities		**318,546**	292,222
NET CURRENT ASSETS		**23,820**	37,254
TOTAL ASSETS LESS CURRENT LIABILITIES		**571,060**	556,038
NON-CURRENT LIABILITIES			
Interest-bearing bank loan		**11,035**	11,404
Deferred tax liabilities		**6,363**	6,363
Total non-current liabilities		**17,398**	17,767
Net assets		**553,662**	538,271
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Issued capital		**31,117**	31,117
Reserves		**513,109**	494,933
Proposed final dividend		**—**	7,779
Proposed interim dividend		**3,734**	—
		547,960	533,829
Minority interests		**5,702**	4,442
Total equity		**553,662**	538,271

NOTES TO FINANCIAL STATEMENTS

30 June 2008

1. BASIS OF PREPARATION

This condensed consolidated interim financial statements for the six months ended 30 June 2008 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") No. 34, 'Interim financial reporting' and Appendix 16 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). The interim condensed financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2007. The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in the annual financial statements for the year ended 31 December 2007.

2. PRINCIPAL ACCOUNTING POLICIES

The Group has adopted the following standards that have been issued and effective for the periods beginning on or after 1 January 2008. The adoption of such standards did not have material effect on these financial statements.

HK (IFRIC) — Int 11	HKFRS 2 — Group and Treasury Share Transactions
HK (IFRIC) — Int 12	Service Concession Arrangements
HK (IFRIC) — Int 14	HKAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

3. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating business are structured and managed separately according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subjected to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) Wholesale of home furniture and

(b) Retail of home furniture

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

(i) Business segment

The following table present revenue, profit and expenditure information for the Group's business segment for the period ended 30 June 2008 and 2007.

Period ended 30 June 2008	**Franchise**	**Retailing**	**Elimination**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to customers	**348,580**	**58,948**	**—**	**407,528**
Intersegment sales	**26,163**	**—**	**(26,163)**	**—**
	374,743	**58,948**	**(26,163)**	**407,528**
Segment results	**25,853**	**3,261**	**—**	**29,114**
Unallocated gains				**521**
Unallocated expenses				**(5,420)**
Finance costs				**(2,109)**
Share of profits of an associate				**1,811**
Profit before tax				**23,917**
Tax				**(1,070)**
Profit for the period				**22,847**

Period ended 30 June 2007	Franchise	Retail	Elimination	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Segment revenue:				
Sales to customers	195,996	41,813	—	237,809
Intersegment sales	18,756	—	(18,756)	—
	214,752	41,813	(18,756)	237,809
Segment results	26,576	608	—	27,184
Unallocated gains				230
Unallocated expenses				(6,011)
Finance costs				(307)
Share of losses of an associate				(57)
Equity-settled share option arrangement				(980)
Profit before tax				20,059
Tax				(189)
Profit for the period				19,870

(ii) Geographical segment

The following table present revenue, for the Group's geographical segment for the six months ended 30 June 2008 and 2007.

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Segment revenue		
Sales to the PRC	**384,756**	222,830
Sales to elsewhere in Asia	**3,567**	1,442
Sales to Europe	**4,159**	7,261
Sales to Middle East	**15,046**	6,276
	407,528	237,809

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

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

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Revenue	**407,528**	237,809
Other income and gains		
Bank interest income	**147**	138
Accessories income	**17,774**	20,987
Gain on disposal of equity investments at fair value through profit or loss	**—**	230
Others	**521**	—
	18,442	21,355
	425,970	259,164

5. PROFIT BEFORE TAX

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

	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Cost of goods sold	**268,858**	168,177
Depreciation	**15,268**	13,020
Amortisation of licence rights of trademarks	**338**	419
Interest income	**(147)**	(138)
Accessories income	**(17,774)**	(20,987)
Gain on disposal of equity investments at fair value through profit or loss	**—**	(230)

6. FINANCE COSTS

	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Interest on bank loan	**2,109**	341

7. TAX

Hong Kong profits tax has not been provided at the rate of 17.5% (2007: 17.5%) as the Group did not generate any assessable profits in Hong Kong during the period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Current — Hong Kong profits tax	**—**	—
Current — Macao profits tax	**—**	—
Current — PRC corporate income tax	**1,070**	189
Total tax charge for the period	**1,070**	189

On 16 March 2007, the National Peoples' Congress approved the Corporate Income Tax Law of the People's Republic of China (the "New CIT Law"), which will become effective on 1 January 2008. The New CIT Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rate for domestic-invested and foreign-invested enterprises at 25%. At the date of approval of these financial statements, detailed implementation and administrative requirements relating to the New CIT Law have yet to be announced. These detailed requirements include regulations concerning the computation of taxable income, as well as specific preferential tax treatments and their transitional provisions. The Company will further evaluate the impact of the New CIT Law on its operating results and financial positions of future periods as more detailed requirements are issued.

8. DIVIDENDS

A dividend in respect of the six months ended 30 June 2008 of HK1.2 cents (2007: HK1.2 cents) per share, amounting to a total dividend of approximately HK$3,734,000 was proposed by the Board on 16 September 2008. This condensed consolidated financial statements has not reflected this dividend payable.

9. EARNINGS PER SHARE

The calculation of basic earnings per share amounts is based on the profits from ordinary activities attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted earnings per share amount is based on the profits from ordinary activities attributable to ordinary equity holders of the Company. The weighted average number of ordinary shares used in the calculation is the ordinary shares in issue during the period, as used in the basic earnings per share calculation and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or conversion of all dilutive potential ordinary shares into ordinary shares.

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

	2008	2007
	HK$'000	*HK$'000*
	(Unaudited)	*(Unaudited)*
Earnings		
Profit attributable to ordinary equity holders of the Company, used in the basic earnings per share calculation:	**21,587**	18,676

	Number of shares	
	2008	2007
	(Unaudited)	*(Unaudited)*
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic earnings per share calculation	**311,174,000**	291,489,556
Effect of dilution — weighted average number of ordinary shares:		
Share options	**16,400,000**	20,075,000
	327,574,000	311,564,556

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. 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. Trade receivables are non-interesting-bearing.

An aged analysis of the trade receivables as at the balance sheet date, based on invoice date, and net of provisions, is as follows:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Within 30 days	**9,918**	10,246
31 days to 90 days	**75,618**	10,922
91 days to 180 days	**2,041**	2,011
Over 180 days	**318**	192
	87,895	23,371

11. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	30 June 2008	31 December 2007
	HK$'000	*HK$'000*
	(Unaudited)	*(Audited)*
Within 30 days	**57,120**	58,490
31 days to 90 days	**48,310**	49,486
91 days to 180 days	**1,729**	1,324
181 days to 360 days	**178**	39
Over 360 days	**206**	258
	107,543	109,597

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

For the six months ended 30 June 2008, the Group's turnover increased by 71.4% to HK$407.5 million. The marked increase was attributable mainly to the revenue from the exclusive supply of home furniture to the Beijing 2008 Olympic Games. Gross profit margin increased from 29.3% in the same period last year to 34.0%, thanks to our popular "Royal Furniture" brand, improved production efficiency and economies of scale. Selling expenses increased by 138.5% to HK$99.9 million mainly because of the one-off Olympic sponsorship fee and extensive marketing activities to promote the status of the Group as the "Official Home Furniture Exclusive Supplier for the Beijing 2008 Olympic Games" and the "Olympic Home" product series. Nonetheless, profit attributable to equity holders still rose to HK$21.6 million, representing a 15.6% growth from HK$18.7 million in last corresponding period.

During the period under review, the furniture market continued to consolidate, with many small players ousted from the market and customers becoming more and more brand and quality conscious. With a strong brand image, a diverse product mix, superior original designs and excellent product quality, the Group maintained its leadership and achieved growth in business amidst the consolidating market. In early 2008, the Group increased the price of certain major products without affecting sales performance, showing its leading position in the industry.

The direct association of the Group and its products with the Beijing 2008 Olympic Games has significantly enhanced the brand position of "Royal Furniture" in China and around the world. Apart from supplying all the home furniture for the Olympic Village, the Media Village and the Media Center, the Group also designed and manufactured the seats for over 90 dignitaries from different countries in the main Olympic Stadium otherwise known as the "Bird's Nest" and the home furniture in "Long Wang Miao". In total, the Group designed and manufactured over 200,000 pieces of furniture for the global event, testifying to its management expertise, production skills and capacity to handle large orders of stringent quality requirement. During the period under review, over 95% of the Olympic-related projects were completed. The last batch of finished products was delivered to Beijing and installed in the venues on 20 July 2008.

The Group's efforts in promotion and marketing activities and initiatives in brand building have notably enhanced the status of our brand and will benefit business development in the long run. In early 2008, the Group was named as one of the "Top Ten Influential Brand of Chinese Furniture Industry" and the "Top 500 of Chinese Brand".

To bring to consumer the same high quality furniture designed for athletes and other participants of the Olympics at reasonable prices, the Group launched the "Olympic Home" series in the market last year. All furniture in the series were designed and manufactured according to Olympic standards, demanding strict compliance with high health and environmental standards. With this being the Olympic year and China the host of the mega global event, the "Olympic Home" series was very well-received by Chinese consumers. Furthermore, many people also choose to get married this year to make their marriage special and even more memorable. This phenomenon also benefited the sales of the "Olympic Home" series.

In addition to the "Olympic Home" series, the Group currently offers 7 product series, including Light Walnut, Black Walnut, Sabili, etc, which are bringing in stable incomes. With an over 50-strong design team, the Group is committed to designing and developing new product series that can help to improve its revenue and profit margins, as well as to meet the ever-changing needs of consumers.

Currently, we have over 1,500 furniture outlets in China of which around 1,400 are franchise stores and around 100 are self-operating shops. As the performance of self-operating shops kept improving, turnover from this business segment grew 40.5% from HK$42 million to HK$59 million, with profit up by 4.4 times from HK$608,000 to HK$3.3 million.

Prospects

The Beijing 2008 Olympic Games ended on 24 August 2008 and received high acclaims worldwide for everything from hardware to software. We, as one of the exclusive suppliers to the Olympic Games, are proud to have achieved zero complaint against our furniture from their users. The success of the Beijing Olympics has enhanced the "Royal Furniture" brand which is among the most valuable assets of the Group, giving it a brand position conducive to business growth this year and beyond.

Competition in the market and the uncertain global economy will speed up the consolidation of the furniture industry with the stronger players as the final survivors. With Chinese consumers becoming more demanding in quality and sophisticated in taste, the Group, supported by a strong brand position and proven track record, is confident of "withstanding the tide" in the consolidation and coming out among the strong few who remain in the market.

Nevertheless, in view of the sluggish sentiment in the property market in China, the Group will expand its distribution network with a cautious manner riding on its stronger brand name to support sales of the wide arrays of products it provides to different customers. At the same time, to maintain the quality and healthy growth of our retail network, we will continue our effort to restructure the management system aiming for decentralization of franchisee management.

The Group will continue to enrich its product mix with emphasis on modern lifestyle and constantly review its brand position. Regarding production facilities, consolidation of facilities of our two factories was completed in late 2007 resulting in improved production efficiency. To encourage better performance among employees and efforts to heighten work efficiency and effectiveness, we will raise the performance targets of our workforce and different operational units.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash and bank balances of HK$34.3 million as at 30 June 2008 (31 December 2007: HK$51.4 million).

As at 30 June 2008, except for an interest-bearing bank loan amounting to HK$69.7 million and a bank overdraft amounting to HK$4.1 million, the Group had no other bank borrowings and contingent liabilities. As at the same date, the gearing ratio was 0.61 (31 December 2007: 0.58).

As at 30 June 2008, approximately 99% of the Group's cash was denominated in Renminbi. The exposure to exchange fluctuation was minimal.

As at 30 June 2008, the current ratio (current assets/current liabilities) was 1.07 times (31 December 2007: 1.13) and the net current assets was HK$24 million (31 December 2007: HK$37 million).

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2008 was approximately 3,300 (2007: 2,900). The Group's remuneration policies are in line with local market practices where the Group operates and are normally reviewed on an annual basis. In addition to salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the Group. As at 30 June 2008, there were outstanding share options of approximately 19.2 million.

DIVIDEND

The Board of Directors recommends a payment of an interim dividend of HK1.2 cents (2007: HK1.2 cents) per share for the six months ended 30 June 2008. The interim dividend will be distributed on or about 16 October 2008 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 13 October 2008.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 8 October 2008 to 13 October 2008, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Branch Registrar and Registration Office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:00 p.m. on 6 October 2008.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all of the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year.

AUDIT COMMITTEE REVIEW

The accounting information given is this interim report has not been audited but has been reviewed by the Audit Committee of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted for compliance by the directors the code of conduct for dealings in securities of the Company as set out in Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), of the Listing Rules on 27 August 2005.

Having made specific enquiry to all the directors of the Company, they have complied with the required standards set out in the Model Code for the period ended 30 June 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's securities for the period ended 30 June 2008.

DISCLOSURE OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This Interim results announcement is published on the website of the Stock Exchange (http://www.hkex.com.hk).

By Order of the Board
Tse Kam Pang
Chairman

Hong Kong, 16 September 2008