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

(Incorporated in Cayman Islands with limited liability)
(Stock code: 1198)

ANNUAL RESULTS
For the year ended 31 December 2008

FINANCIAL HIGHLIGHTS

1. Turnover increased by 28.6% to HK$791 million of which HK$136 million was the contribution from the supply of furniture to Beijing 2008 Olympic Games which was considered as a non-recurring item. Regardless of the effect of Olympic project, the turnover increased by 6.5% to HK$655 million. The turnover for the second half, without the turnover from Olympic Games, was HK$355 million, representing a decrease of 0.08% as compared to the corresponding period last year.

2. The gross profit margin increased by 3.3 percentage points to 30.6%. The increment was mainly due to the higher profit margin of Beijing 2008 Olympic Games. The gross profit margin, without the effect of Olympic project, was 26.5% which was 0.8 percentage point less than last year.

3. The selling and distribution costs was increased by 99.4% to HK$195 million which was mainly due to the inclusion of the one off sponsor fee for Beijing 2008 Olympic Games and related expenses; the effect from the appreciation of Renminbi, and the higher costs from the retailing business of Hangzhou and Zheng Zhou which was acquired in the mid of year 2007 and the end of year 2007 respectively.

4. According to the prevailing accounting standard HKAS 36 “Impairment of Assets”, the goodwill written off amounted to HK$111,688,000. Such goodwill written off did not result in any cash outflow or negatively affect the Company’s liquidity position as of 31 December 2008.

5. Loss for the year was HK$90 million. Excluding the goodwill written off, profit attributable to equity holders of the parent was HK$22 million representing a decrease of 56% as compared to the corresponding period last year.

6. The Board proposed a final dividend of HK1.0 cent per share. Together with the interim dividend of HK1.2 cents, dividend declared for the year was HK2.2 cents per share.

* *For identification purposes only*

RESULTS

The Board of directors (the "Board" or the "Directors") of Royale Furniture Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2008 together with the comparative audited figures for the year ended 31 December 2007. The annual results for the year ended 31 December 2008 have been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2008

	Notes	2008 HK$'000	2007 HK$'000
REVENUE	4	**790,900**	615,033
Cost of sales		**(549,051)**	(446,837)
Gross profit		**241,849**	168,196
Other income and gains	4	**59,767**	54,569
Selling and distribution costs		**(195,117)**	(97,850)
Administrative expenses		**(68,345)**	(63,244)
Impairment of goodwill		**(111,688)**	—
Other expenses		**(10,884)**	(6,927)
Finance costs	6	**(3,196)**	(1,861)
Share of profits and losses of associates		**376**	1,520
(LOSS)/PROFIT BEFORE TAX	5	**(87,238)**	54,403
Tax	7	**(2,302)**	(2,091)
(LOSS)/PROFIT FOR THE YEAR		**(89,540)**	52,312
Attributable to:			
Equity holders of the parent	9	**(89,626)**	50,406
Minority interests		**86**	1,906
		(89,540)	52,312
DIVIDENDS	8		
Interim		**3,734**	3,509
Proposed final		**4,668**	7,779
		8,402	11,288
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		**HK(28.80) cents**	HK17.04 cents
Diluted		**N/A**	HK16.75 cents

CONSOLIDATED BALANCE SHEET

As at 31 December 2008

	Notes	**2008** *HK$'000*	2007 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**398,914**	355,670
Prepaid land lease payments		**37,859**	14,630
Goodwill		**—**	111,688
Other intangible assets		**4,880**	5,729
Interests in associates		**32,005**	31,067
Total non-current assets		**473,658**	518,784
CURRENT ASSETS			
Inventories		**111,607**	159,984
Trade receivables	*10*	**66,544**	23,371
Prepayments, deposits and other receivables		**60,747**	77,091
Cash and cash equivalents		**40,414**	51,447
		279,312	311,893
Non-current assets classified as held for sale		**—**	17,583
Total current assets		**279,312**	329,476
CURRENT LIABILITIES			
Trade payables	*11*	**86,494**	109,597
Other payables and accruals		**110,518**	90,469
Interest-bearing bank loans		**28,697**	30,902
Tax payable		**62,355**	61,254
Total current liabilities		**288,064**	292,222
NET CURRENT (LIABILITIES)/ASSETS		**(8,752)**	37,254
TOTAL ASSETS LESS CURRENT LIABILITIES		**464,906**	556,038
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**10,645**	11,404
Deferred tax liabilities		**—**	6,363
Total non-current liabilities		**10,645**	17,767
Net assets		**454,261**	538,271
EQUITY			
Equity attributable to equity holders of the parent			
Issued capital		**31,117**	31,117
Reserves		**413,948**	494,933
Proposed final dividend		**4,668**	7,779
		449,733	533,829
Minority interests		**4,528**	4,442
Total equity		**454,261**	538,271

1. CORPORATE INFORMATION

Royale Furniture Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman, the Cayman Islands.

The principal activity of the Company is investment holding. There were no significant changes in the nature of the subsidiaries' principal activities during the year.

In the opinion of the Directors, the parent and the ultimate holding company of the Group is Crisana International Inc., which is incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

The Group incurred a loss attributable to equity holders of the parent of HK$89,626,000 (2007: a profit of HK$50,406,000), net current liabilities of HK$8,752,000 (2007: net current assets of HK$37,254,000) and reported an overall decrease in cash and cash equivalents of HK$11,033,000 for the year. In addition, as at 31 December 2008, the Group had contracted commitments in respect to future capital expenditure of approximately HK$8,671,000.

In preparing these financial statements, the Directors have given consideration to the impact of the current and anticipated future liquidity of the Group and the ability of the Group to attain profitable and positive cash flow operations in the immediate and longer term.

In order to strengthen the capital base of the Group and to improve the Group's financial position, liquidity and cash flows in the immediate foreseeable future, in March 2009, the Company has received approximately HK$40,900,000 by issuing 155,587,000 offer shares at the subscription price of HK$0.27 per offer share by way of the open offer on the basis of one offer share for every two existing shares held by the shareholders on 9 February 2009. The net proceeds of the open offer will be used for general working capital of the Group.

In light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient working capital for its current requirements. Accordingly, it is appropriate to prepare the financial statements on a going concern basis.

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain land and buildings, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2008. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries.

2.2 IMPACT OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

The Group has adopted the following new interpretations and amendments to HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new interpretations and amendments has had no significant effect on these financial statements.

HKAS 39 & HKFRS 7 Amendments	*Amendments to* HKAS 39 *Financial Instruments: Recognition and Measurement and HKFRS 7 Financial Instruments: Disclosures - Reclassification of Financial Assets*
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*

The principal effects of adopting these new interpretations and amendments to HKFRSs are as follows:

(a) Amendments to HKAS 39 *Financial Instruments: Recognition and Measurement* and HKFRS 7 *Financial Instruments: Disclosures - Reclassification of Financial Assets*

The amendments to HKAS 39 permit an entity to reclassify a non-derivative financial asset classified as held for trading, other than a financial asset designated by an entity as at fair value through profit or loss upon initial recognition, out of the fair value through profit or loss category if the financial asset is no longer held for the purpose of selling or repurchasing in the near term, if specified criteria are met.

A debt instrument that would have met the definition of loans and receivables (if it had not been required to be classified as held for trading at initial recognition) may be classified out of the fair value through profit or loss category or (if it had not been designated as available for sale) may be classified out of the available-for-sale category to the loans and receivables category if the entity has the intention and ability to hold it for the foreseeable future or until maturity.

In rare circumstances, financial assets that are not eligible for classification as loans and receivables may be transferred from the held-for-trading category to the available-for-sale category or to the held-to-maturity category (in the case of a debt instrument), if the financial asset is no longer held for the purpose of selling or repurchasing in the near term.

The financial asset shall be reclassified at its fair value on the date of reclassification and the fair value of the financial asset on the date of reclassification becomes its new cost or amortised cost, as applicable. The amendments to HKFRS 7 require extensive disclosures of any financial asset reclassified in the situations described above. The amendments are effective from 1 July 2008.

As the Group has not reclassified any of its financial instruments, the amendments have had no impact on the financial position or results of operations of the Group.

(b) HK(IFRIC)-Int 11 *HKFRS 2 - Group and Treasury Share Transactions*

HK(IFRIC)-Int 11 requires arrangements whereby an employee is granted rights to the Group's equity instruments to be accounted for as an equity-settled scheme, even if the Group buys the instruments from another party, or the shareholders provide the equity instruments needed. HK(IFRIC)-Int 11 also addresses the accounting for share-based payment transactions involving two or more entities within the Group. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(c) **HK(IFRIC)-Int 12** ***Service Concession Arrangements***

HK(IFRIC)-Int 12 applies to service concession operators and explains how to account for obligation undertaken and the rights received in service concession arrangements. No member of the Group is an operator and, therefore, this interpretation has had no impact on the financial position or results of operations of the Group.

(d) **HK(IFRIC)-Int 14 HKAS 19 -** ***The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction***

HK(IFRIC)-Int 14 addresses how to assess the limit under HKAS 19 Employee Benefits, on the amount of a refund or a reduction in future contributions in relation to a defined benefit scheme that can be recognised as an asset, including situations when a minimum funding requirement exists. As the Group has no defined benefit scheme, the interpretation has had no effect on these financial statements.

2.3 IMPACT OF ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 and HKAS 27 Amendments	*Amendments to HKFRS 1 First-time Adoption of HKFRSs and* HKAS 27 *Consolidated and Separate Financial Statements - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*[1]
HKFRS 2 Amendments	*Amendments to* HKFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*[1]
HKFRS 1 (Revised)	*First-time Adoption of HKFRS*[2]
HKFRS 3 (Revised)	*Business Combinations*[2]
HKFRS 7 Amendments	*Amendment to* HKFRS 7 *Financial instruments: Disclosure - Improving Disclosures about Financial Instruments*[1]
HKFRS 8	*Operating Segments*[1]
HKAS 1 (Revised)	*Presentation of Financial Statements*[1]
HKAS 23 (Revised)	*Borrowing Costs*[1]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*[2]
HKAS 32 and HKAS 1 Amendments	*Amendments to* HKAS 32 *Financial Instruments: Presentation and* HKAS 1 *Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation*[1]
HKAS 39 Amendment	*Amendment to* HKAS 39 *Financial Instruments: Recognition and Measurement - Eligible Hedged Items*[2]
HK(IFRIC)-Int 9 and HKAS39 Amendments	*Amendments to* HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement - Embedded Derivatives*[6]
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*[3]
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*[1]
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*[4]
HK(IFRIC)-Int 17	*Distribution of Non-cash Assets to Owners*[2]
HK(IFRIC)-Int 18	*Transfers of Assets from Customers*[5]

Apart from the above, the HKICPA has issued Improvements to HKFRSs* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarify wording. Except for the amendment to HKFRS 5 which is effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2009 although there are separate transitional provisions for each standard.

[1] Effective for annual periods beginning on or after 1 January 2009
[2] Effective for annual periods beginning on or after 1 July 2009
[3] Effective for annual periods beginning on or after 1 July 2008
[4] Effective for annual periods beginning on or after 1 October 2008
[5] Apply prospectively to transfers of assets from customers received on or after 1 July 2009
[6] Effective for annual periods beginning on or after 30 June 2009

* Improvements to HKFRSs contains amendments to HKFRS 5, HKFRS 7, HKAS 1, HKAS 8, HKAS 10, HKAS 16, HKAS 18, HKAS 19, HKAS 20, HKAS 23, HKAS 27, HKAS 28, HKAS 29, HKAS 31, HKAS 34, HKAS 36, HKAS 38, HKAS 39, HKAS 40 and HKAS 41.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised) and HKAS 27 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

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 subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) Franchise operation segment engages in the sale of home furniture through franchise operation; and

(b) Self-operating shops segment engages in the sale of home furniture through self-operating shops;

In determining the Group's geographical segments, revenues 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.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(a) Business segments

The following tables present revenue, loss/profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2008 and 2007.

Year ended 31 December 2008

	Franchise operation *HK$'000*	Self-operating shops *HK$'000*	Elimination *HK$'000*	Consolidated *HK$'000*
Segment revenue:				
Sales to customers	**649,818**	**141,082**	**—**	**790,900**
Intersegment sales	**82,365**	**—**	**(82,365)**	**—**
Total	**732,183**	**141,082**	**(82,365)**	**790,900**
Segment results	**329**	**(77,471)**	**—**	**(77,142)**
Unallocated gains				**4,031**
Unallocated expenses				**(10,884)**
Finance costs				**(3,196)**
Share of profits and losses of associates				**376**
Equity-settled share option expense				**(423)**
Loss before tax				**(87,238)**
Tax				**(2,302)**
Loss for the year				**(89,540)**

As at 31 December 2008

	Franchise operation *HK$'000*	Self-operating shops *HK$'000*	Consolidated *HK$'000*
Assets and liabilities			
Segment assets	**609,271**	**46,005**	**655,276**
Interests in associates			**32,005**
Unallocated assets			**65,689**
Total assets			**752,970**
Segment liabilities	**191,796**	**13,566**	**205,362**
Unallocated liabilities			**93,347**
Total liabilities			**298,709**
Other segment information:			
Depreciation and recognition	**34,309**	**6,785**	**41,094**
Impairment of goodwill	**47,044**	**64,644**	**111,688**
Unallocated amortisation			**1,209**
			153,991
Capital expenditure	**115,940**	**5,351**	**121,291**

Year ended 31 December 2007

	Franchise operation HK$'000	Self-operating shops HK$'000	Elimination HK$'000	Consolidated HK$'000
Segment revenue:				
Sales to customers	518,492	96,541	—	615,033
Intersegment sales	51,935	—	(51,935)	—
Total	570,427	96,541	(51,935)	615,033
Segment results	54,183	8,449	—	62,632
Unallocated gains				1,582
Unallocated expenses				(6,927)
Finance costs				(1,861)
Share of profits and losses of associates				1,520
Equity-settled share option expense				(2,543)
Profit before tax				54,403
Tax				(2,091)
Profit for the year				52,312

As at 31 December 2007

	Franchise operation HK$'000	Self-operating shops HK$'000	Consolidated HK$'000
Assets and liabilities			
Segment assets	649,959	111,846	761,805
Interests in associates			31,067
Unallocated assets			55,388
Total assets			848,260
Segment liabilities	172,817	15,845	188,662
Unallocated liabilities			121,327
Total liabilities			309,989
Other segment information:			
Depreciation and recognition	18,879	6,519	25,398
Unallocated amortisation			820
			26,218
Goodwill	47,044	64,644	111,688
Capital expenditure	92,219	3,516	95,735

(b) Geographical segments

The following tables present revenue, certain asset and expenditure information for the Group's geographical segments for the years ended 31 December 2008 and 2007.

Segment revenue	**2008** *HK$'000*	2007 *HK$'000*
The People's Republic of China (the "PRC")	**731,040**	586,269
Elsewhere in Asia	**7,134**	4,688
Australia	**407**	88
Africa	**565**	769
Europe	**7,336**	9,034
Middle East	**44,418**	14,185
	790,900	615,033

	Total assets		Capital expenditure	
Other segment information	**2008** *HK$'000*	2007 *HK$'000*	**2008** *HK$'000*	2007 *HK$'000*
The PRC	**752,970**	848,260	**121,291**	95,735

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:

	2008 *HK$'000*	2007 *HK$'000*
Revenue		
Sales of goods	**790,900**	615,033
Other income and gains		
Bank interest income	**520**	119
Accessories income	**55,736**	53,087
Gain on disposal of equity investments at fair value through profit or loss	**—**	1,290
Others	**3,511**	73
	59,767	54,569

5. (LOSS)/PROFIT BEFORE TAX

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

	2008	2007
	HK$'000	*HK$'000*
Cost of goods sold	**549,051**	446,837
Depreciation of items of property, plant and equipment	**40,505**	24,971
Recognition of prepaid land lease payments	**589**	427
Amortisation of licence rights of trademarks*	**1,209**	820
Loss on disposal of items of property, plant and equipment**	**502**	5,183
Loss on disposal of assets held for sales**	**2,293**	—
Research and development costs*	**7,742**	6,940
Minimum lease payments under operating leases:		
Land and buildings	**41,553**	28,180
Auditors' remuneration	**1,880**	1,880
Employee benefit expense: (excluding directors' remuneration)		
Wages and salaries	**82,566**	78,280
Equity-settled share option expense	**423**	2,543
Pension scheme contributions	**4,838**	4,084
	87,827	84,907
Donation**	**2,914**	1,641
Impairment of trade receivables***	**719**	1,724
Foreign exchange loss, net	**1,896**	790
Bank interest income	**(520)**	(119)
Gain on disposal of equity investments at fair value through profit or loss	**—**	(1,290)

* The amortisation of licence rights of trademarks and research and development costs for the year are included in "Administrative expenses" on the face of the consolidated income statement.

** Loss on disposal of items of property, plant and equipment, loss on disposal of assets held for sales and donation for the year are included in "Other expense" on the face of the consolidated income statement.

*** Impairment of trade receivables is included in the "Cost of Sales" on the face of the consolidated income statement.

6. FINANCE COSTS

	Group 2008 HK$'000	2007 HK$'000
Interest on bank loans	**3,196**	1,861

7. TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group 2008 HK$'000	2007 HK$'000
Group:		
Current — PRC corporate income tax	**2,302**	2,091
Total tax charge for the year	**2,302**	2,091

8. DIVIDENDS

	Group 2008 HK$'000	2007 HK$'000
Interim dividend — 2008: HK1.2 cents (2007: HK1.2 cents) per ordinary share	**3,734**	3,509
Proposed final dividend — 2008: HK1.0 cent (2007: HK2.5 cents) per ordinary share	**4,668**	7,779
	8,402	11,288

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic (loss)/earnings per share is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2007 was based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, 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.

Diluted loss per share amounts for the year ended 31 December 2008 have not been disclosed, as the share options outstanding during the year had an anti-dilutive effect on the basis loss per share for the year.

The calculations of basic and diluted (loss)/earnings per share are based on:

	Group	
	2008	2007
	HK$'000	*HK$'000*
Loss/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent, used in the basic and diluted (loss)/earnings per share calculations	**(89,626)**	50,406

	Number of Shares	
	2008	2007
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic (loss)/earnings per share calculation	**311,174,000**	295,837,173
Effect of dilution — weighted average number of ordinary shares:		
Share options	**—**	5,137,469
	311,174,000	300,974,642

There were 3,400,000 options excluded in the calculation of diluted earnings per share for the year ended 31 December 2007, because their exercise prices exceeded the average market price in 2007.

10. TRADE RECEIVABLES

	Group 2008 HK$'000	2007 HK$'000
Trade receivables	**70,993**	27,101
Impairment	**(4,449)**	(3,730)
	66,544	23,371

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-interest-bearing.

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

	Group 2008 HK$'000	2007 HK$'000
Within 30 days	**42,642**	10,246
31 days to 90 days	**16,722**	10,922
91 days to 180 days	**4,642**	2,011
Over 180 days	**2,538**	192
	66,544	23,371

Included in the Group's trade receivables is an amount due from the Group's associate of HK$ 2,345,000 (2007: HK$3,242,000) which is repayable on similar credit terms to those offered to the major customers of the Group.

11. TRADE PAYABLES

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

	Group	
	2008	2007
	HK$'000	*HK$'000*
Within 30 days	**54,776**	58,490
31 days to 90 days	**30,001**	49,486
91 days to 180 days	**806**	1,324
181 days to 360 days	**483**	39
Over 360 days	**428**	258
	86,494	109,597

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

Trade payables of HK$14,595,000 (2007: Nil) due to associates are repayable within 90 days, which represents similar credit terms to those offered by the associates to their major customers.

12. POST BALANCE SHEET EVENTS

(a) On 15 January 2009, the Company announced to raise approximately HK$40,900,000 after expenses by issuing 155,587,000 offer shares at the subscription price of HK$0.27 per offer share by way of the open offer on the basis of one offer share for every two existing shares held by the shareholders on 9 February 2009. The net proceeds of the open offer will be used for general working capital of the Group. The Company issued the shares and received the net proceeds in March 2009.

As a result of the open offer, pursuant to the terms of the Share Option Scheme, the exercise price of the options and the number of shares to be alloted and issued upon full exercise of the subscription rights attaching to the 19,200,000 outstanding options has been adjusted and announced on 2 March 2009.

(b) On 19 March 2009, a total of 30,000,000 share options were granted to certain employees of the Company in respect of their services to the Group in the forthcoming year. These share options have an exercise price of HK$0.315 per share and exercise period ranging from 20 March 2010 to 19 March 2020. The price of the Company's share at the grant date was HK$0.315 per share.

MANAGEMENT DISCUSSION &ANALYSIS

DIVIDEND

The Board recommends a payment of a final dividend of HK1.0 cent per share for the year ended 31 December 2008. Together with the interim dividend of HK1.2 cents per share, the total dividend for the year ended 31 December 2008 is HK2.2 cents per share. Subject to the approval of the shareholders at the forthcoming Annual General Meeting ("AGM"), the final dividend will be distributed on or about 12 June 2009 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 5 June 2009.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 29 May 2009 to 5 June 2009, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend and attending the forthcoming AGM, 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 27 May 2009.

FINANCIAL REVIEW

During the year under review, the Group's revenue increased by 28.6% to HK$791 million and its gross profit margin also improved from 27.3% to 30.6%, mainly attributable to the exclusive supply of furniture to the Beijing 2008 Olympic Games. The gross margin of sales to franchisees rose from 23.2% to 29.6% and the gross margin of self-operating shops decreased to 35.2%. As a result of increase in selling and administrative expenses and a write-off of goodwill which was made according to HKAS 36 "Impairment of Goodwill", the Group recorded a loss attributable to equity holders of HK$90 million for the year. Excluding the write-off of goodwill, the Group would have recorded a profit of HK$22 million.

BUSINESS REVIEW

Product Management

During the year under review, the Group continued to enhance product management to ensure it was producing the right products for each market segment. The Group instructed its sales team to study the furniture market and the impacts of the recent financial crisis on the Chinese economy to provide relevant reference for the Group to design products to suit market needs in the coming years. During the year, the Group offered seven products series including Light Walnut, Black Walnut, Sabili, Olympic Home, etc. which brought in stable revenues.

During the year, the sales team and product development team worked closely and commenced development of a new product series - "Beech" - to offer yet another choice of quality and value-for-money furniture to customers apart from the Olympic Home series. This new series is scheduled to launch formally in mid-2009.

Production Efficiency

During the year under review, the Group decided to merge two production bases into one at its Guangzhou headquarters to increase production efficiency and hence reduce production costs. In addition, the Group also carried out stringent cost control to enhance profitability. To encourage better performance among employees and efforts to heighten work efficiency, the Group raised the performance targets of the workforce and different operational units. It also continued to improve the logistics system to shorten the production lead time.

Sales Network

As at the end of 2008, the Group had over 1,400 franchise outlets (2007: 1,300 outlets) spanning across China and operated around 100 self-operating shops (2007: over 100 shops) in Beijing, Shanghai, Shenzhen, Hangzhou and Zhengzhou. The economic downturn which started in the second half year created pressure on the business of the Group in the traditional peak season. To boost sales performance during the period, the Group offered a variety of discount packages to stimulate sales for franchisees and its self-operating shops. To cope with changing market conditions, we exercised prudence in network management and placed emphasis on "quality" instead of "quantity" in pursuing expansion of our sales network.

Completion of Olympic Project

During the year, the Group completed the "Olympic Project" - exclusive supply of home furniture to the Beijing 2008 Olympic Games. The Group had received zero complaint against its furniture, evidencing its ability in designing and manufacturing high quality, comfortable and environmentally-friendly furniture. The experience has strengthened its foundation and confidence in bidding for big orders and participating in major projects.

Achievements

In early 2008, the Group was named one of the "Top Ten Influential Brand of Chinese Furniture Industry" and the "Top 500 Chinese Brand". These titles represented recognition of the Group's tremendous efforts in promotion and marketing activities and brand building efforts that have notably enhanced its brand to the benefit of its business in the long run.

Prospects

Looking forward, with the global financial crisis far from over, economies worldwide are expected to remain weak and so will consumption sentiment. The phenomenon points to intense competition in the furniture industry. In addition, the outlook of the property market in China continues to be sluggish and that will inevitably affect the furniture market. Heeding the testing business environment, the Group will focus on its core values and strive to consolidate its strength and business foundation to make sure of its ability to overcome the challenges ahead.

First of all, the Group will focus on strengthening its core attributes including its brand name, extensive sales network, proven business structure as well as its professional management team. The Group will expand its distribution network with caution taking reference of market conditions. To ensure the quality and healthy growth of its sales network, the Group will continue to restructure the related management system aiming for decentralisation of franchisee management. Also, the Group will take all measures to keep costs at a reasonable level so as to sustain profitability.

To continue to boost the standing of the "Royal Furniture" brand, the Group appointed Ms. Carina Lau, a well-known movie star in China and Hong Kong, as its new spokesperson in 2009. The advertising campaign featuring Ms. Lau has been widely broadcasted starting from March 2009 on CCTV channels and other popular TV channels in China, helping to put the "Royal Furniture" brand on top of the consumers' mind.

Boasting success with the Olympic project and reputed as a leading furniture manufacturer in China, the Group has won a contract from the Shenzhen Government, China to supply home furniture for the 26th Summer Universiade, Shenzhen, of which the scale is second to the Olympic Games, in 2011. This project will strengthen the Group's image as a professional furniture manufacturer capable of providing quality furniture and after-sales services to mega events.

Guided by prudent business strategies and striving hard to consolidate its business and fortifying its brand, Royale Furniture believes it will be able to maintain market leadership and weather the testing economic environment. It is confident of making advancement once the market begins to rebound and in turn securing good returns for shareholders in the long run.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a cash and bank balances of HK$40 million as at 31 December 2008 (2007: HK$51 million). The Group is principally financed by net cash inflow from operating activities. The Group believes that funds generated from its internal operations are adequate to meet the future requirements of operating its business.

As at 31 December 2008, except for interest-bearing bank loans amounting to HK$39 million, the Group had no other bank borrowings and contingent liabilities. As at the same date, the gearing ratio was 30.3% (2007: 26.3%).

As at 31 December 2008, approximately 90.5% of the Group's cash was denominated in Renminbi and the remaining balance of the Group's cash was denominated in Hong Kong Dollars. The exposure to exchange fluctuation was minimal.

As at 31 December 2008, the liquidity of the Group as evidenced by the current ratio (current assets/current liabilities) was 0.97 times (2007: 1.13) and the net current liabilities was HK$8,752,000 (2007: net current assets of HK$37,254,000).

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2008 was 2,300 (2007: 3,300). The Group's remuneration policies are in line with local market practices where the Group operates and are normally reviewed on an annual basis. In addition to salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the Group. At 31 December 2008, there were outstanding share options of approximately 19,200,000.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year ended 31 December 2008.

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 ("Model Code"), of the Listing Rules on 27 August 2005.

Having made specific enquiry to all the Directors they have complied with the required standards set out in the Model Code for the period ended 31 December 2008.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2008, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

By Order of the Board
Tse Kam Pang
Chairman

Hong Kong, 20 April 2009

As at the date of this announcement, Mr. Tse Kam Pang, Mr. Ma Gary Ming Fai and Mr. Lam Toi are the executive directors of the Company and, Dr. Donald H. Straszheim, Mr. Chang Chu Fai Johnson Francis and Mr. Yau Chung Hong are the independent non-executive directors of the Company.