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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1198)

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

RESULTS

The Board of Directors (the "Board") of Royale Furniture Holdings Limited (the "Company") announces the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 together with the comparative audited figures for the year ended 31 December 2013. The annual results for the year ended 31 December 2014 have been reviewed by the Company's audit committee.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
REVENUE	4	**918,154**	994,032
Cost of sales		**(753,005)**	(897,566)
Gross profit		**165,149**	96,466
Other income	4	**32,533**	15,071
Selling and distribution expenses		**(192,651)**	(221,160)
Administrative expenses		**(132,178)**	(137,790)
Finance costs	6	**(30,581)**	(20,456)
Share of (losses)/profits of associates		**(472)**	2,352
Impairment of trade receivables, net		**(4,399)**	(60,652)
Impairment of goodwill	5	**–**	(123,138)
Other expenses	5	**(218)**	(16,333)
LOSS BEFORE TAX	5	**(162,817)**	(465,640)
Income tax expense	7	**(224)**	(4,475)
LOSS FOR THE YEAR		**(163,041)**	(470,115)
Attributable to:			
Owners of the Company		**(151,646)**	(455,793)
Non-controlling interests		**(11,395)**	(14,322)
		(163,041)	(470,115)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	9		
Basic		**HK(10.88) cents**	HK(36.25) cents
Diluted		**HK(10.88) cents**	HK(36.25) cents

Details of the dividends payable and proposed for the year are disclosed in note 8 below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014	2013
	HK$'000	*HK$'000*
LOSS FOR THE YEAR	**(163,041)**	(470,115)
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**150**	138
Reclassification adjustments for gains included in the consolidated statement of profit or loss	**–**	180
	150	318
Exchange differences on translation of foreign operations	**(45,505)**	58,977
Share of other comprehensive income of an associate	**–**	764
Net other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods	**(45,355)**	60,059
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(45,355)**	60,059
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(208,396)**	(410,056)
Attributable to:		
Owners of the Company	**(194,195)**	(399,590)
Non-controlling interests	**(14,201)**	(10,466)
	(208,396)	(410,056)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2014

	Notes	**2014** **HK$'000**	2013 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**1,407,153**	1,371,755
Prepaid land lease payments		**202,911**	212,988
Goodwill		**67,730**	67,730
Intangible assets		**897**	1,316
Investments in associates		**7,175**	40,153
Available-for-sale investments		**2,141**	2,435
Total non-current assets		**1,688,007**	1,696,377
CURRENT ASSETS			
Inventories		**287,496**	361,014
Trade receivables	*10*	**26,509**	53,586
Prepayments, deposits and other receivables		**66,871**	139,676
Available-for-sale investment		**25,426**	–
Pledged deposits		**7,495**	–
Cash and cash equivalents		**128,355**	175,199
Total current assets		**542,152**	729,475
CURRENT LIABILITIES			
Trade payables	*11*	**78,076**	132,089
Other payables and accruals		**205,053**	249,410
Interest-bearing bank and other borrowings		**283,341**	137,768
Loans from a director	*12*	**–**	28,374
Loan from non-controlling interests	*13*	**–**	36,019
Tax payable		**112,870**	110,819
Total current liabilities		**679,340**	694,479
NET CURRENT (LIABILITIES)/ASSETS		**(137,188)**	34,996
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,550,819**	1,731,373

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2014

	Note	**2014**	2013
		HK$'000	*HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,550,819**	1,731,373
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**213,832**	233,521
Loan from non-controlling interests	*13*	**37,216**	–
Deferred tax liabilities		**37,435**	39,410
Deferred government grant		**12,233**	12,807
Total non-current liabilities		**300,716**	285,738
Net assets		**1,250,103**	1,445,635
EQUITY			
Equity attributable to owners of the Company			
Issued capital		**139,338**	139,338
Reserves		**1,020,536**	1,201,867
		1,159,874	1,341,205
Non-controlling interests		**90,229**	104,430
Total equity		**1,250,103**	1,445,635

NOTES TO FINANCIAL STATEMENTS

31 December 2014

1. CORPORATE INFORMATION

Royale Furniture Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is located at Century Yard, Cricket Square, Hutchins Drive, 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 immediate and ultimate holding companies of the Group are Crisana International Inc. and Charming Future Holding Limited, which are incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

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 ("HKICPA") and accounting principles generally accepted in Hong Kong. These financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance relating to the preparation of financial statements, which for this financial year and the comparative period continue to be those of the predecessor Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that Ordinance. The financial statements have been prepared under the historical cost convention, except for available-for-sale investments and certain buildings classified as property, plant and equipment 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.

The Group recorded a consolidated net loss of HK$163,041,000 (2013: HK$470,115,000) for the year ended 31 December 2014 and as at that date, the Group recorded net current liabilities of HK$137,188,000 (2013: net current assets of HK$34,996,000). In view of these circumstances, the directors of the Company have given consideration to the future liquidity, future performance of the Group, the existing banking facilities and other available sources of finance in assessing whether the Group will have sufficient cash flows to continue as a going concern. Based on the management estimation of the future cash flows of the Group, the directors of the Company believe that the Group has sufficient cash flows in the foreseeable future to enable it to continue its operations and meet its liabilities as and when they fall due. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2014. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described in the accounting policy for subsidiaries. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognizes (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognizes (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognized in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised standards and new interpretation for the first time for the Current Year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	*Investment Entities*
Amendments to HKAS 32	*Offsetting Financial Assets and Financial Liabilities*
Amendments to HKAS 36	*Recoverable Amount Disclosures for Non-Financial Assets*
Amendments to HKAS 39	*Novation of Derivatives and Continuation of Hedge Accounting*
HK(IFRIC)-Int 21	*Levies*
Amendment to HKFRS 2 included in *Annual Improvements 2010-2012 Cycle*	*Definition of Vesting Condition*[1]
Amendment to HKFRS 3 included in *Annual Improvements 2010-2012 Cycle*	*Accounting for Contingent Consideration in a Business Combination*[1]
Amendment to HKFRS 13 included in *Annual Improvements 2010-2012 Cycle*	*Short-term Receivables and Payables*
Amendment to HKFRS 1 included in *Annual Improvements 2011-2013 Cycle*	*Meaning of Effective HKFRSs*

[1] Effective from 1 July 2014

The adoption of the above revised standards and interpretation has had no significant financial effect on these financial statements.

(a) Amendments to HKFRS 10 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The amendments have had no impact on the Group as the Company does not qualify as an investment entity as defined in HKFRS 10.

(b) The HKAS 32 Amendments clarify the meaning of "currently has a legally enforceable right to set off" for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments have had no impact on the Group as the Group does not have any offsetting arrangement.

(c) The HKAS 36 Amendments remove the unintended disclosure requirement made by HKFRS 13 on the recoverable amount of a cash-generating unit which is not impaired. In addition, the amendments require the disclosure of the recoverable amounts for the assets or cash-generating units for which an impairment loss has been recognized or reversed during the reporting period, and expand the disclosure requirements regarding the fair value measurement for these assets or units if their recoverable amounts are based on fair value less costs of disposal. The amendments have had no impact on the financial position or performance of the Group.

(d) The HKAS 39 Amendments provide an exception to the requirement of discontinuing hedge accounting in situations where over-the-counter derivatives designated in hedging relationships are directly or indirectly, novated to a central counterparty as a consequence of laws or regulations, or the introduction of laws or regulations. For continuance of hedge accounting under this exception, all of the following criteria must be met: (i) the novations must arise as a consequence of laws or regulations, or the introduction of laws or regulations; (ii) the parties to the hedging instrument agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties; and (iii) the novations do not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing. The amendments have had no impact on the Group as the Group has not novated any derivatives during the current and prior years.

(e) HK(IFRIC)-Int 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. The interpretation also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation has had no impact on the Group as the Group applied, in prior years, the recognition principles under HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets* which for the levies incurred by the Group are consistent with the requirements of HK(IFRIC)-Int 21.

(f) The HKFRS 2 Amendment clarifies various issues relating to the definitions of performance and service conditions which are vesting conditions, including (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering service; (iii) a performance target may relate to the operations or activities of an entity, or to those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide service during the vesting period, the service condition is not satisfied. The amendment has had no impact on the Group.

(g) The HKFRS 3 Amendment clarifies that contingent consideration arrangements arising from a business combination that are not classified as equity should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of HKFRS 9 or HKAS 39. The amendment has had no impact on the Group.

(h) The HKFRS 13 Amendment clarifies that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. The amendment has had no impact on the Group.

2.3 NEW AND REVISED HKFRSs AND NEW DISCLOSURE REQUIREMENTS UNDER THE HONG KONG COMPANIES ORDINANCE NOT YET ADOPTED

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

Amendments to HKAS 1	*Disclosure Initiative*[2]
HKFRS 9	*Financial Instruments*[4]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate and Joint Venture*[2]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[2]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[2]
HKFRS 14	*Regulatory Deferral Accounts*[5]
HKFRS 15	*Revenue from Contracts with Customers*[3]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortization*[2]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[2]
Amendments to HKAS 19	*Defined Benefit Plans: Employee Contributions*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[2]
Annual Improvements 2010-2012 Cycle	*Amendments to a number of HKFRSs*[1]
Annual Improvements 2011-2013 Cycle	Amendments to a number of HKFRSs[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[2]

[1] Effective for annual periods beginning on or after 1 July 2014

[2] Effective for annual periods beginning on or after 1 January 2016

[3] Effective for annual periods beginning on or after 1 January 2017

[4] Effective for annual periods beginning on or after 1 January 2018

[5] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Group

In addition, the Hong Kong Companies Ordinance (Cap. 622) will affect the presentation and disclosure of certain information in the consolidated financial statements for the year ending 31 December 2015. The Group is in the process of making an assessment of the impact of these changes.

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of home furniture. All of the Group's products are of a similar nature and subject to similar risk and returns. Accordingly, the Group's operating activities are attributable to a single operating segment.

Information about a major customer

No revenue from sales to a single customer amounted to 10% or more of the Group's revenue during the year (2013: Nil).

4. REVENUE AND OTHER INCOME

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 is as follows:

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**918,154**	994,032
Other income and gains		
Interest income	**99**	872
Gain on disposal of available-for-sale investments	**–**	673
Gain on disposal of an associate	**21,563**	–
Licence fees income	**707**	761
Sales of scraps	**9,904**	12,765
Others	**260**	–
	32,533	15,071

5. LOSS BEFORE TAX

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

	2014	2013
	HK$'000	*HK$'000*
Cost of inventories sold	**739,648**	880,232
Depreciation of items of property, plant and equipment	**80,367**	87,545
Recognition of prepaid land lease payments	**4,929**	5,052
Amortisation of intangible assets*	**678**	1,139
Loss on disposal of items of property, plant and equipment^	**218**	–
Research and development costs*	**7,534**	9,237
Minimum lease payments under operating leases:		
Land and buildings	**75,216**	80,703
Auditors' remuneration	**1,680**	1,980
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**179,944**	195,974
Equity-settled share option expense	**12,864**	9,625
Pension scheme contributions	**14,329**	14,231
	207,137	219,830
Write-down of inventories to net realisable value**	**13,357**	17,334
Reversal of impairment of trade receivables *(note 10)*#	**–**	(7,917)
Impairment of trade receivables *(note 10)*#	**4,399**	68,569
Impairment of goodwill	**–**	123,138
Impairment of investments in associates^	**–**	15,875
Loss on deemed disposal of an associate^	**–**	458

* The amortisation of intangible assets and research and development costs for the year have been included in "Administrative expenses" on the face of the consolidated statement of profit or loss.

** Write-down of inventories to net realisable value has been included in "Cost of sale" on the face of the consolidated statement of profit or loss.

\# These items comprise "Impairment of trade receivables, net" on the face of consolidated statement of profit or loss.

^ These items comprise "Other expenses" on the face of the consolidated statement of profit or loss.

6. FINANCE COSTS

	Group	
	2014	2013
	HK$'000	*HK$'000*
Interest on bank loans:		
Wholly repayable within five years	**16,232**	18,450
Wholly repayable over five years	**191**	234
Interest on loans from a director	**–**	302
Interest on a loan from non-controlling interests	**2,102**	1,426
Interest on other loans	**12,056**	44
	30,581	20,456

7. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year (2013: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group	
	2014	2013
	HK$'000	*HK$'000*
Current – PRC corporate income tax	**2,199**	6,450
Deferred	**(1,975)**	(1,975)
	224	4,475

8. DIVIDENDS

No interim dividend was declared and paid in 2014 (2013: Nil). The directors of the Company have resolved not to declare a final dividend for the year ended 31 December 2014 (2013: Nil).

9. LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic loss per share is based on the loss for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,393,377,017 (2013: 1,257,355,099) in issue during the year.

The calculation of the diluted loss per share amount is based on the loss for the year attributable to ordinary equity holders of the Company. 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 loss per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

No adjustment has been made to the basic loss per share amounts presented for the year ended 31 December 2014 and 2013 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amounts presented.

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

	2014	2013
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculations	**(151,646)**	(455,793)

	Number of shares	
	2014	2013
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**1,393,377,017**	1,257,355,099

10. TRADE RECEIVABLES

	Group	
	2014	2013
	HK$'000	*HK$'000*
Trade receivables	**35,340**	58,130
Impairment	**(8,831)**	(4,544)
	26,509	53,586

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 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. The Group does not hold any collateral or other credit enhancements over its trade receivable balance. Trade receivables are non-interest-bearing.

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**22,389**	43,719
31 to 90 days	**2,193**	8,448
91 to 180 days	**1,277**	1,419
Over 180 days	**650**	–
	26,509	53,586

The movements in the provision for impairment of trade receivables are as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
At 1 January	**4,544**	12,103
Impairment losses recognised	**4,399**	68,569
Amount written off as uncollectible	**–**	(68,569)
Reversal of impairment	**–**	(7,917)
Exchange realignment	**(112)**	358
At 31 December	**8,831**	4,544

An aged analysis of the trade receivables that are not individually or collectively considered to be impaired is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**24,582**	52,167
Past due but not impaired	**1,927**	1,419
	26,509	53,586

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the directors of the Company are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral or other credit enhancements over these balances.

Included in the Group's trade receivables are amounts due from the Group's associate of HK$647,000 (2013: HK$986,000) which are 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 end of the reporting period, based on the invoice date, is as follows:

	Group	
	2014	2013
	HK$'000	*HK$'000*
Within 30 days	**30,783**	69,984
31 to 90 days	**29,780**	53,307
91 to 180 days	**13,617**	6,997
181 to 360 days	**1,690**	601
Over 360 days	**2,206**	1,200
	78,076	132,089

The trade payables are non-interest-bearing and are normally settled for a period of 3 months and extendable up to 2 years.

12. LOANS FROM A DIRECTOR

	Group	
	2014	2013
	HK$'000	*HK$'000*
Mr. Tse Kam Pang	**–**	28,374

Mr. Tse Kam Pang is one of the directors and also the Chairman of the Company. The principal of the loans of HK$28,072,000, and the accrued interests of HK$302,000 as at 31 December 2013 were repaid in the current year.

13. LOAN FROM NON-CONTROLLING INTERESTS

The loan from non-controlling interests is unsecured, bears interest at a rate of 6.15% per annum and will not be repayable in one year. As at the end of the reporting period, included in the outstanding balance with the non-controlling interests was an amount of HK$2,102,000 (2013: HK$1,426,000), which is the accrued interest for the loan.

14. COMMITMENTS

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

	Group	
	2014	2013
	HK$'000	*HK$'000*
Authorised, but not contracted for:		
Land and buildings	**30,000**	73,000

At the end of the reporting period, neither the Group nor the Company had any significant contingent liabilities.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 December 2014 (2013: Nil).

Closure of the Register of Members

The Register of Members of the Company will be closed from 3 June 2015 to 5 June 2015, both days inclusive. In order to be eligible to attend and vote at the forthcoming annual general meeting to be held on 5 June 2015, all transfers documents accompanied by the relevant share certificates must be lodged with the Company's Share Registrar in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 2 June 2015.

FINANCIAL REVIEW

The Group experienced another very difficult year in 2014.

For the year ended 31 December 2014, the Group has a net loss of HK$163.0 million (2013: HK$470.1 million). Excluding the one-time write-off items totalling to HK$200.1 million, the net loss in 2013 was HK$270.0 million on a comparable basis with 2014. The improvement of the loss position was mainly contributed by an increase in the gross profit margin.

During the year, the Group's revenue decreased by 7.6% to HK$918.2 million (2013: HK$994.0 million) whereas the gross profit margin increased from 9.7% to 18.0% and the gross profit increased to HK$165.1 million (2013: HK$96.5 million). Less sales discounts provided to the franchisees and a material cost saving plan through bargaining for a lower material price with the new suppliers are the keys of the improvement in gross profit margin.

During the year, the Group's selling and distribution expenses decreased by 12.9% to HK$192.7 million (2013: HK$221.2 million) as the Group participated fewer promotional campaigns and close down of several unprofitable self-operating stores. The Group's administrative expenses stabilized because the effect of the cost cutting measures was offset by the one-off expenses of the suspension of the Tianjin plant in July 2014. The finance costs of the Group during the year rose sharply at 49.5% to HK$30.6 million (2013: HK$20.5 million) due to the change of loan composition and the higher interest costs upon refinancing.

BUSINESS REVIEW

Sales and Network Management

In dealing with its franchisee distributors' requests for incentives, the Group only provided incentives on a selective basis. Regarding its self-operating stores, the Group closed down several unprofitable ones.

Inventory and Prepayments, Deposits and Other Receivables

At the end of the year, the Group's inventory decreased by 20.4% to HK$287.5 million (2013: HK$361.0 million) was due to the efforts in reducing the overall inventory level and the closures of several unprofitable self-operating stores. Similarly, prepayments, deposits and other receivables decreased by 52.1% to HK$66.9 million (2013: HK$139.7 million) was mainly due to less advances paid to suppliers as a result of a decrease in purchase orders at year end.

Brand Management

During the year under review, the Group continued to leverage on its brand for which it has invested a great deal of resources in the past.

Plant Facilities

The Tianjin plant commenced production in late 2013 which was originally intended to produce high-end furniture. However, in response to the current depressed market situation of high-end furniture, the Tianjin plant suspended production in July 2014. The Group is reviewing various options for how to best utilize its plant resources.

Working Capital Challenge

The Group had net current liabilities of HK$137.2 million by the end of the year. The Group will continue to take steps to improve its working capital including but not limited to refinancing of the existing banking facilities, obtaining new banking facilities and assessing the possibility of assets disposal.

Liquidity and Financial Resources

The Group maintained a cash and cash equivalents amounted to HK$128.4 million as at 31 December 2014 (2013: HK$175.2 million).

As at 31 December 2014, in addition to the interest bearing bank and other borrowings amounted to HK$497.2 million (2013: HK$371.3 million), the Group has loan from non-controlling interests of HK$37.2 million (2013: HK$36.0 million). As at the year end, the net debt divided by capital plus net debt of the Group was 37.3% (2013: 32.4%). Approximately, 83.5% of the Group's cash was denominated in Renminbi with the remaining balance was denominated in Hong Kong Dollars. The exposure to the foreign exchange rate fluctuation during the year has been minimal since both of our cash inflow and outflow are predominantly in Renminbi.

As at 31 December 2014, the Group's current ratio (current assets to current liabilities) has decreased to 0.80 (2013: 1.05) and the net current liability was amounted to HK$137.2 million (2013: net current asset HK$35.0 million).

Prospects

While we have seen 2014 as a very tough year across various sectors, there are signs that the Chinese government is relaxing its tight monetary policy by reducing the interest rate and reserve ratio to ensure industries have sufficient liquidity for weathering a relatively slow growth period like the current year's GDP growth rate set at 7%.

During the conferences of the NPC and CPPCC held in early March 2015, the Chinese government put much emphasis on diversified growth. Instead of mainly relying on growth through the government's infrastructure expenditures, it would also induce growth through business entrepreneurship in creating 10 million jobs at the lower tier cities. Specifically, it has set a target of 12% growth rate for the consumer sector which is much higher than the overall GDP growth rate of 7%.

Amid weak Chinese consumer demand across the board, the Group anticipates the coming year to remain a difficult one for the furniture industry in China. Nevertheless, the Group will take steps to review our product mix to seize opportunities in the lower tier cities to cater for the demands from the emerging consumers there.

Over the longer term horizon, the Group is cautiously optimistic toward the Chinese furniture market as the government policy of urbanization and the reversal of the "One-child" policy for certain categories of families will continue which translates into more demands on new housings furniture products.

Employees and Remuneration Policies

As at 31 December 2014, the Group had approximately 3,007 staff. The Group offers competitive remuneration schemes to its employees based on industry practices, legal requirements, as well as the employees' and the Group's performance. In addition, share options and discretionary bonuses are granted to eligible employees based on the employees' performance, the Group's results, and in accordance with the share option scheme of the Company. Mandatory provident fund or staff pension schemes are also provided to relevant staff in accordance with relevant legal requirements. The Group also provides training to the staff to improve their skills and develop their respective expertise.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with the former and revised 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 (the "Listing Rules") throughout the year under review.

Saved as disclosed below, the Board considers that the Company has complied with the code provisions as set out in the CG Code.

Code Provision A.2.1

Under code provision A.2.1 of the CG code, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Tse Kam Pang, who acts as the chairman and chief executive officer of the Company, is responsible in pioneering the Company's business model and undertaking the main decision-making role in the management of the Company's overall operations and overseeing the strategic development of the Group. The Board will meet regularly to consider and review the major and appropriate issues affecting the operations of the Company. As such, the Board considers that the sufficient measures have been taken and it will not impair the balance of power and authority between the Board and the management.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted for compliance by the directors and relevant employees the code of conduct for dealings in securities of the Company as set out in Appendix 10 – Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code"), of the Listing Rules. The Company, having made specific enquiry, confirms that members of the Board complied throughout the year with the Model Code.

The Audit Committee has been established in compliance with Rules 3.21 and 3.22 of the Listing Rules and with written term of reference in compliance with the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control procedures of the Group. The Audit Committee has also held meeting with the Group's external auditors without the presence of executive directors and management of the Group, to discuss matters arising from the auditing, internal controls and financial reporting, including the review of the annual results for the year ended 31 December 2014, and report to the Board of material issues, if any, and make recommendations to the Board. The Audit Committee consists of three independent non-executive Directors namely Mr. Yue Man Yiu Matthew, who is the chairman of the Audit Committee, Dr. Donald H. Straszheim and Mr. Lau Chi Kit. The Audit Committee has reviewed the Group's consolidated financial statements for the year ended 31 December 2014.

REVIEW OF PRELIMINARY RESULTS ANNOUNCEMENT BY INDEPENDENT AUDITORS

The figures in respect of the Group's results for the year ended 31 December 2014 as set out in this preliminary announcement have been agreed by the Group's independent auditors, Messrs. Ernst & Young ("E&Y"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by E&Y in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently, no assurance has been expressed by E&Y on this preliminary announcement.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company, nor any of its subsidiaries had purchased, redeemed or sold any of the Company's listed securities during the year under review.

The annual results announcement is published on the website of the Company and the Stock Exchange (www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2014 containing all the information required by the Listing Rules will be despatched to shareholders of the Company and make available on the abovementioned websites in due course.

By Order of the Board
Tse Kam Pang
Chairman

Hong Kong, 30 March 2015

As at the date of this announcement, the Board comprises four Executive Directors, namely, Mr. Tse Kam Pang, Mr. Chang Chu Fai Johnson Francis, Mr. Tse Wun Cheung and Mr. Chen Hao; One Non-Executive Director, namely, Mr. Ma Gary Ming Fai, three Independent Non-Executive Directors, namely, Dr. Donald H. Straszheim, Mr. Lau Chi Kit and Mr. Yue Man Yiu Matthew.