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 2015

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 2015 together with the comparative audited figures for the year ended 31 December 2014. The annual results for the year ended 31 December 2015 have been reviewed by the Company's audit committee.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
REVENUE	4	**659,698**	918,154
Cost of sales		**(549,739)**	(753,005)
Gross profit		**109,959**	165,149
Other income and gains	4	**30,385**	32,533
Selling and distribution expenses		**(116,169)**	(192,651)
Administrative expenses		**(112,410)**	(136,577)
Other expenses		**–**	(218)
Finance costs	6	**(23,822)**	(30,581)
Share of losses of associates		**(767)**	(472)
LOSS BEFORE TAX	5	**(112,824)**	(162,817)
Income tax credit/(expense)	7	**328**	(224)
LOSS FOR THE YEAR		**(112,496)**	(163,041)
Attributable to:			
Owners of the parent		**(97,463)**	(151,646)
Non-controlling interests		**(15,033)**	(11,395)
		(112,496)	(163,041)
LOSS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		**HK(6.08) cents**	HK(10.88) cents
Diluted		**HK(6.08) cents**	HK(10.88) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 *HK$'000*	2014 *HK$'000*
LOSS FOR THE YEAR	**(112,496)**	(163,041)
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Changes in fair value	**421**	150
Reclassification adjustments for gains included in the consolidated statement of profit or loss – gain on disposal	**(173)**	–
	248	150
Exchange differences on translation of foreign operations	**(63,347)**	(45,505)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(63,099)**	(45,355)
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(63,099)**	(45,355)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(175,595)**	(208,396)
Attributable to:		
Owners of the parent	**(157,212)**	(194,195)
Non-controlling interests	**(18,383)**	(14,201)
	(175,595)	(208,396)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2015

	Notes	2015 HK$'000	2014 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,293,665**	1,407,153
Prepaid land lease payments		**189,255**	202,911
Goodwill		**67,730**	67,730
Intangible assets		**1,025**	897
Investments in associates		**6,408**	7,175
Available-for-sale investments		**–**	2,141
Total non-current assets		**1,558,083**	1,688,007
CURRENT ASSETS			
Inventories		**221,039**	287,496
Trade receivables	*10*	**21,753**	26,509
Prepayments, deposits and other receivables		**93,073**	66,871
Available-for-sale investment		**24,285**	25,426
Pledged deposits		**48,444**	7,495
Cash and cash equivalents		**89,831**	128,355
Total current assets		**498,425**	542,152
CURRENT LIABILITIES			
Trade payables	*11*	**75,096**	78,076
Other payables and accruals		**120,679**	205,053
Interest-bearing bank and other borrowings		**250,692**	283,341
Tax payable		**114,146**	112,870
Total current liabilities		**560,613**	679,340
NET CURRENT LIABILITIES		**(62,188)**	(137,188)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,495,895**	1,550,819

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2015

	Note	**2015** **HK$'000**	2014 *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,495,895**	1,550,819
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings		**199,912**	213,832
Loan from non-controlling interests	*12*	**38,139**	37,216
Deferred tax liabilities		**30,304**	37,435
Deferred government grant		**54,201**	12,233
Total non-current liabilities		**322,556**	300,716
Net assets		**1,173,339**	1,250,103
EQUITY			
Equity attributable to owners of the parent			
Share capital		**176,238**	139,338
Reserves		**929,573**	1,020,536
		1,105,811	1,159,874
Non-controlling interests		**67,528**	90,229
Total equity		**1,173,339**	1,250,103

NOTES TO FINANCIAL STATEMENTS

31 December 2015

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 Company is an investment holding Company. 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 Company 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"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain buildings classified as property, plant and equipment and equity investments 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$112,496,000 (2014: HK$163,041,000) for the year ended 31 December 2015 and as at that date, the Group recorded net current liabilities of HK$62,188,000 (2014: HK$137,188,000). 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 management's 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 2015. 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 for the first time for the current year's financial statements.

Amendments to HKAS 19 *Defined Benefit Plans: Employee Contributions*
Annual Improvements to HKFRSs 2010-2012 Cycle
Annual Improvements to HKFRSs 2011-2013 Cycle

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

In addition, the Company has adopted the amendments to the Listing Rules issued by the Hong Kong Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

2.3 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 9	*Financial Instruments*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*[1]
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*[1]
HKFRS 14	*Regulatory Deferral Accounts*[3]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKAS 1	*Disclosure Initiative*[1]
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*[1]
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*[1]
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] 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

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 (2014: Nil).

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, net of value-added tax (the "VAT"), and after allowances for returns and trade discounts. All significant intra-group transactions have been eliminated on consolidation.

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

	2015	2014
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**659,698**	918,154
Other income and gains		
Interest income	**281**	99
Gain on disposal of items of property, plant and equipment	**21,172**	–
Gain on disposal of available-for-sale investments	**208**	–
Gain on disposal of an associate	**–**	21,563
Licence fee income	**–**	707
Sales of scraps	**7,529**	9,904
Others	**1,195**	260
	30,385	32,533

5. LOSS BEFORE TAX

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

	2015	2014
	HK$'000	*HK$'000*
Cost of inventories sold	**554,107**	739,648
Depreciation	**68,109**	80,367
Recognition of prepaid land lease payments	**4,711**	4,929
Amortisation of intangible assets*	**421**	678
Research and development costs*	**5,171**	7,534
Minimum lease payments under operating leases	**51,529**	75,216
Auditors' remuneration	**1,855**	1,680
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**139,590**	179,944
Equity-settled share option expense	**3,899**	12,864
Pension scheme contributions	**11,789**	14,329
	155,278	207,137
(Reversal of write-down)/write-down of inventories to net realisable value**	**(4,368)**	13,357
Impairment of trade receivables *(note 10)*	**658**	4,399
Bank interest income	**(281)**	–
(Gain)/loss on disposal of items of property, plant and equipment##	**(21,172)**	218

* 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.

** (Reversal of write-down)/write-down of inventories to net realisable value has been included in "Cost of sales" on the face of the consolidated statement of profit or loss.

These items have been included in "Other income and gains" and "Other expenses" on the face of the consolidated statement of profit or loss.

6. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on bank loans:		
Wholly repayable within five years	**15,008**	16,232
Wholly repayable over five years	**–**	191
Interest on a loan from non-controlling interests	**2,038**	2,102
Interest on other loans	**6,776**	12,056
	23,822	30,581

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 (2014: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2015	2014
	HK$'000	*HK$'000*
Current – PRC corporate income tax	**1,511**	2,199
Deferred	**(1,839)**	(1,975)
Total tax (credit)/charge for the year	**(328)**	224

8. DIVIDENDS

No interim dividend was declared and paid in 2015 (2014: Nil). The directors of the Company have resolved not to declare a final dividend for the year ended 31 December 2015 (2014: Nil).

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

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 1,604,264,688 (2014: 1,393,377,017) 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 2015 and 2014 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:

	2015	2014
	HK$'000	*HK$'000*
Loss		
Loss attributable to ordinary equity holders of the Company, used in the basic and diluted loss per share calculations	**(97,463)**	(151,646)

	Number of shares	
	2015	2014
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted loss per share calculations	**1,604,264,688**	1,393,377,017

10. TRADE RECEIVABLES

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**30,848**	35,340
Impairment	**(9,095)**	(8,831)
	21,753	26,509

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:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**16,533**	22,389
31 to 90 days	**1,140**	2,193
91 to 180 days	**3,834**	1,277
Over 180 days	**246**	650
	21,753	26,509

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

	2015	2014
	HK$'000	*HK$'000*
At 1 January	**8,831**	4,544
Impairment losses recognised	**658**	4,399
Exchange realignment	**(394)**	(112)
At 31 December	**9,095**	8,831

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

	2015	2014
	HK$'000	*HK$'000*
Neither past due nor impaired	**17,673**	24,582
Past due but not impaired	**4,080**	1,927
	21,753	26,509

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$621,000 (2014: HK$647,000) 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:

	2015	2014
	HK$'000	*HK$'000*
Within 30 days	**43,109**	30,783
31 to 90 days	**20,682**	29,780
91 to 180 days	**8,650**	13,617
181 to 360 days	**953**	1,690
Over 360 days	**1,702**	2,206
	75,096	78,076

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

12. 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$2,038,000 (2014: HK$2,102,000), which is the accrued interest for the loan.

13. COMMITMENTS

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

	2015	2014
	HK$'000	*HK$'000*
Authorised, but not contracted for:		
Land and buildings	**10,000**	30,000

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 2015 (2014: Nil).

Closure of the Register of Members

The Register of Members of the Company will be closed from 1 June 2016 to 3 June 2016, both days inclusive. In order to be eligible to attend and vote at the forthcoming annual general meeting to be held on 3 June 2016, 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 31 May 2016.

FINANCIAL REVIEW

For the year ended 31 December 2015, the Group recorded turnover of HK$659.7 million (2014: HK$918.2 million) representing a decrease of 28% from last year. The loss attributable to owners of the parent for the year was reduced from HK$151.6 million to HK$97.5 million, representing a decrease of 35.7%. The decrease was mainly due to assigning self-operating stores and a downturn market.

For 2015, selling and distribution expenses decreased by 39.7% to approximately HK$116.2 million (2014: HK$192.7 million), which was mainly due to a decrease in operating cost caused by assigning self-operating stores. Administration expenses also decreased by 17.7% to HK$112.4 million (2014: HK$136.6 million), which was mainly due to the implementation of stringent cost central measures. The finance costs during the year decreased by 22.1% to HK$23.8 million (2014: HK$30.6 million) due to the reduction of loans from financial institutions.

BUSINESS REVIEW

Despite that the economy remained challenging, the Group further improved its financial performance by narrowing its loss attributable to owners of the parent for the year to HK$97.5 million from HK$151.6 million, representing a decrease of 35.7%.

Assigning those non-profit making self-operating stores was the major factor of the decrease of turnover and net loss in 2015. Since 2014, the Group had assigned the operation of its own stores in various cities. At the time of this writing, the Group only operates stores in Shanghai, Chengdu and Guangzhou with approximately 12,000 square meters in total.

Sales and Network Management

During the year under review, the Group reformed its sales department to have a better management of its sales network. The sales department is now being divided into two teams: New Franchisee Recruitment Team (NFR team) and Store Maintenance Team (SM team). NFR Team is responsible for inviting new franchisees to open Royal Furniture stores, while SM Team is responsible for ensuring the image, proper operation and future development of the existing stores.

Brand Management

The Group had extended the engagement of Ms. Lin Chi Ling, a famous model and movie star in Asia, as its spokesperson for another four years, to further reinforce its brand equity. Besides, the Group kept on promoting its brand via various media channels such as paper media, electronic media etc.

Inventory and Prepayments, Deposits and Other Receivables

At the end of the year, the Group's inventory decreased by 23.1 % to HK$221.0 million (2014: HK$287.5 million). Prepayments, deposits and other receivables increased by 39.2% to HK$93.1 million (2014: HK$66.9 million)was mainly due to the increase in advances paid to outsourcing factories at year end.

Working Capital Challenge

The Group had net current liabilities of HK$62.2 million by the end of the year (2014: HK$137.2 million). The Group will continue to take initiatives 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$89.8 million as at 31 December 2015 (2014: HK$128.4 million).

As at 31 December 2015, in addition to the interest bearing bank and other borrowings amounted to HK$450.6 million (2014: HK$497.2 million), the Group has loan from non-controlling interests of HK$38.1 million (2014: HK$37.2 million). As at the year end, the net debt divided by capital plus net debt of the Group was 35.0% (2014: 37.3%). Approximately, 91.2% 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 2015, the Group's current ratio (current assets to current liabilities) has increased to 0.89 (2014: 0.80) and the net current liabilities was amounted to HK$62.2 million (2014: net current liabilities HK$137.2 million).

Prospect

Although the loss attributable to owners of the parent for the year has been reduced by 35.7% in 2015, 2016 is expected to be another challenging year for the Group. The Group will continue its business restructuring in 2016 to further improve its overall performance.

The Group will commit further resources to revitalize its established brand "Royal Furniture" which has nearly twenty years of history. Famous movie star, Ms. Lin Chi Ling will remain to be the Group's spokesperson for the coming years. Besides, on top of its in-house designers, the Group has engaged a number of well-known design houses in the market to enrich its product ranges to cater for the fast-changing consumer preferences. Also, the Group is studying the feasibility of setting up a procurement office in Vietnam to take advantage of the low labor costs and raw material costs in the region.

Employees and Remuneration Policies

As at 31 December 2015, the Group had approximately 2,373 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, risk management and internal control systems of the Group and to review and monitor the appointment of the auditors and their independence. The Audit Committee has also held meeting with the Group's external auditors without the presence of executive directors and management of the Group, to discuss matters arising from the auditing, internal controls and financial reporting, including the review of the annual results for the year ended 31 December 2015, 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 2015.

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 2015 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 2016

As at the date of this announcement, the Board comprises four Executive Directors, namely, Mr. Tse Kam Pang, Mr. Tse Hok Kan, Mr. Chen Hao and Mr. Chan Wing Kit; and three Independent Non-Executive Directors, namely, Dr. Donald H. Straszheim, Mr. Lau Chi Kit and Mr. Yue Man Yiu Matthew.