Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

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 2016

RESULTS

The board of directors (the "Board") of Royale Furniture Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 31 December 2016, together with the comparative figures for the year ended 31 December 2015. The annual results for the year ended 31 December 2016 have been reviewed by the Company's audit committee.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
REVENUE	4	**727,638**	659,698
Cost of sales		**(522,645)**	(549,739)
Gross profit		**204,993**	109,959
Other income and gains	4	**11,411**	30,385
Selling and distribution expenses		**(89,501)**	(116,169)
Administrative expenses		**(75,491)**	(111,752)
Finance costs	6	**(20,093)**	(23,822)
Share of losses of associates		**–**	(767)
Impairment of trade receivables, net		**(2,311)**	(658)
Other expenses		**(6,184)**	–
PROFIT/(LOSS) BEFORE TAX	5	**22,824**	(112,824)
Income tax credit	7	**11,669**	328
PROFIT/(LOSS) FOR THE YEAR		**34,493**	(112,496)
Attributable to:			
Owners of the parent		**43,204**	(97,463)
Non-controlling interests		**(8,711)**	(15,033)
		34,493	(112,496)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic and diluted		**HK2.45 cents**	HK(6.08) cents

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2016

	2016 *HK$'000*	2015 *HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**34,493**	(112,496)
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
Reclassification adjustments for gains included in the consolidated statement of profit or loss – gain on disposal	**(421)**	(173)
	(421)	248
Exchange differences on translation of foreign operations	**(90,450)**	(63,347)
Net other comprehensive loss to be reclassified to profit or loss in subsequent periods	**(90,871)**	(63,099)
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:		
Gains on property revaluation	**111,621**	–
Income tax effect	**(27,906)**	–
	83,715	–
Net other comprehensive income not to be reclassified to profit or loss in subsequent periods	**83,715**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(7,156)**	(63,099)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**27,337**	(175,595)
Attributable to:		
Owners of the parent	**14,439**	(157,212)
Non-controlling interests	**12,898**	(18,383)
	27,337	(175,595)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2016

	Notes	2016 HK$'000	2015 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,006,092**	1,293,665
Investment properties		**398,483**	–
Prepaid land lease payments		**74,036**	189,255
Goodwill		**67,730**	67,730
Intangible assets		**2,478**	1,025
Investments in associates		**–**	6,408
Total non-current assets		**1,548,819**	1,558,083
CURRENT ASSETS			
Inventories		**221,099**	221,039
Trade receivables	*10*	**34,465**	21,753
Available-for-sale investment		**3,215**	24,285
Pledged deposits		**39,737**	48,444
Prepayments, deposits and other receivables		**86,158**	93,073
Cash and cash equivalents		**103,516**	89,831
Total current assets		**488,190**	498,425
CURRENT LIABILITIES			
Trade payables	*11*	**107,450**	75,096
Other payables and accruals		**137,502**	120,679
Interest-bearing bank and other borrowings		**228,132**	250,692
Tax payable		**103,039**	114,146
Total current liabilities		**576,123**	560,613
NET CURRENT LIABILITIES		**(87,933)**	(62,188)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,460,886**	1,495,895

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2016

	Note	**2016** ***HK$'000***	2015 *HK$'000*
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,460,886**	1,495,895
NON-CURRENT LIABILITIES			
Medium term bonds		**15,833**	–
Interest-bearing bank and other borrowings		**91,709**	199,912
Loan from non-controlling interests	*12*	**37,565**	38,139
Loan from a director		**12,000**	–
Deferred tax liabilities		**56,371**	30,304
Deferred government grant		**48,949**	54,201
Total non-current liabilities		**262,427**	322,556
Net assets		**1,198,459**	1,173,339
EQUITY			
Equity attributable to owners of the parent			
Share capital		**176,238**	176,238
Reserves		**948,829**	929,573
		1,125,067	1,105,811
Non-controlling interests		**73,392**	67,528
Total equity		**1,198,459**	1,173,339

NOTES TO FINANCIAL STATEMENTS

31 December 2016

1. CORPORATE INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands and its shares and listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). 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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties, 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 profit of HK$34,493,000 (2015: net loss HK$112,496,000) for the year ended 31 December 2016 and as at that date, the Group recorded net current liabilities of HK$87,933,000 (2015: HK$62,188,000). 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.

In order to improve the Group's liquidity and cash flows to sustain the Group as a going concern, the Group implemented or is in the process of implementing the following measures:

a) The Group is taking measures to tighten cost controls over administrative and other operating expenses aiming at improving the working capital and cash flow position of the Group including closely monitoring the daily operating expenses.

b) The Group is restructuring the mix of its products with the aim to increase the portion of products with higher margin so as to attain profitable and positive cash flow operations. In addition, the Group from time to time reviews its investment projects and may adjust its investment strategies in order to enhance the cash flow position of the Group whenever it is necessary.

c) The Group is actively following up with its debtors on outstanding receivables.

The Directors of the Company have prepared a cash flow forecast for the Group which covers a period of twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group will have sufficient working capital to finance its operations and meet its financial obligations as and when they fall due in the foreseeable future. Accordingly, the Directors are of the opinion that it is appropriate to prepare the consolidated financial statements of the Group for the year ended 31 December 2016 on a going concern basis.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2016 (the "Current Year"). A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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 above. 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 derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interests and (iii) the cumulative translation differences recorded in equity; and recognises (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 recognised 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 new and revised HKFRSs for the first time for the Current Year's financial statements.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011)	*Investment Entities: Applying the Consolidation Exception*
Amendments to HKFRS 11	*Accounting for Acquisitions of Interests in Joint Operations*
HKFRS 14	*Regulatory Deferral Accounts*
Amendments to HKAS 1	*Disclosure Initiative*
Amendments to HKAS 16 and HKAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to HKAS 16 and HKAS 41	*Agriculture: Bearer Plants*
Amendments to HKAS 27 (2011)	*Equity Method in Separate Financial Statements*
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs

Except for the amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011), amendments to HKFRS 11, HKFRS 14, amendments to HKAS 16 and HKAS 41, amendments to HKAS 27 (2011), and certain amendments included in the Annual Improvements 2012-2014 Cycle, which are not relevant to the preparation of the Group's financial statements, the nature and the impact of the amendments are described below:

(a) Amendments to HKAS 1 include narrow-focus improvements in respect of the presentation and disclosure in financial statements. The amendments clarify:

(i) the materiality requirements in HKAS 1;

(ii) that specific line items in the statement of profit or loss and the statement of financial position may be disaggregated;

(iii) that entities have flexibility as to the order in which they present the notes to financial statements; and

(iv) that the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss.

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement of profit or loss. The amendments have had no significant impact on the Group's financial statements.

(b) Amendments to HKAS 16 and HKAS 38 clarify the principle in HKAS 16 and HKAS 38 that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is part) rather than the economic benefits that are consumed through the use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are applied prospectively. The amendments have had no impact on the financial position or performance of the Group as the Group has not used a revenue-based method for the calculation of depreciation of its non-current assets.

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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[2]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[2]
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*[4]
HKFRS 15	*Revenue from Contracts with Customers*[2]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[2]
HKFRS 16	*Leases*[3]
Amendments to HKAS 7	*Disclosure Initiative*[1]
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*[1]

1 Effective for annual periods beginning on or after 1 January 2017
2 Effective for annual periods beginning on or after 1 January 2018
3 Effective for annual periods beginning on or after 1 January 2019
4 No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet the employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. The Group expects to adopt the amendments from 1 January 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group expects to adopt HKFRS 9 from 1 January 2018. During 2016, the Group performed a high-level assessment of the impact of the adoption of HKFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Group in the future. The expected impacts arising from the adoption of HKFRS 9 are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses that are estimated based on the present value of all cash shortfalls over the remaining life of all of its trade and other receivables. The Group will perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements, for estimation of expected credit losses on its trade and other receivables upon the adoption of HKFRS 9.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for application now.

HKFRS 15 establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group expects to adopt HKFRS 15 on 1 January 2018 and is currently assessing the impact of HKFRS 15 upon adoption.

HKFRS 16 replaces HKAS 17 Leases, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. The Group expects to adopt HKFRS 16 on 1 January 2019 and is currently assessing the impact of HKFRS 16 upon adoption.

Amendments to HKAS 7 require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The amendments will result in additional disclosure to be provided in the financial statements. The Group expects to adopt the amendments from 1 January 2017.

Amendments to HKAS 12 were issued with the purpose of addressing the recognition of deferred tax assets for unrealised losses related to debt instruments measured at fair value, although they also have a broader application for other situations. The amendments clarify that an entity, when assessing whether taxable profits will be available against which it can utilise a deductible temporary difference, needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount. The Group expects to adopt the amendments from 1 January 2017.

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 (2015: 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:

	2016	2015
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**727,638**	659,698
Other income and gains		
Interest income	**94**	281
Gain on disposal of items of property, plant and equipment	**126**	21,172
Gain on disposal of available-for-sale investments	**866**	208
Sales of scraps	**1,511**	7,529
Government subsidy	**1,837**	1,195
Rental income	**6,977**	–
	11,411	30,385

5. PROFIT/(LOSS) BEFORE TAX

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

	2016	2015
	HK$'000	*HK$'000*
Cost of inventories sold	**520,805**	554,107
Depreciation	**60,346**	68,109
Recognition of prepaid land lease payments	**4,412**	4,711
Amortisation of intangible assets*	**540**	421
Research and development costs*	**9,887**	5,171
Minimum lease payments under operating leases	**23,752**	51,529
Auditor's remuneration	**1,680**	1,855
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**135,188**	139,590
Equity-settled share option expense	**4,817**	3,899
Pension scheme contributions	**8,246**	11,789
	148,251	155,278
Write-down/(reversal of write-down) of inventories to net realisable value**	**1,840**	(4,368)
Impairment of trade receivables *(note 10)*	**2,311**	658
Bank interest income##	**(94)**	(281)
Gain on disposal of items of property, plant and equipment##	**(126)**	(21,172)
Loss on disposal of asssociates###	**6,184**	–

* 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.

** The 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" on the face of the consolidated statement of profit or loss.

The loss on disposal of associates has been included in "Other expenses" on the face of the consolidated statement of profit or loss.

6. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on medium term bonds	**543**	–
Interest on bank loans	**15,003**	15,008
Interest on a loan from non-controlling interests	**2,762**	2,038
Interest on other loans	**1,785**	6,776
	20,093	23,822

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 (2015: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2016	2015
	HK$'000	*HK$'000*
Current – PRC		
Charge for the year	**7,624**	1,511
Overprovision in prior years	**(17,454)**	–
Deferred	**(1,839)**	(1,839)
Total tax credit for the year	**(11,669)**	(328)

8. DIVIDENDS

No interim dividend was declared and paid in 2016 (2015: Nil). The directors of the Company have resolved not to declare a final dividend for the year ended 31 December 2016 (2015: Nil).

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

The calculation of basic earnings (2015: loss) per share is based on the profit (2015: loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,762,377,017 (2015: 1,604,264,688) in issue during the year.

No adjustment has been made to the basic earnings/loss per share amounts presented for the year ended 31 December 2016 and 2015 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/loss per share amounts presented.

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

	2016	2015
	HK$'000	*HK$'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/loss per share calculations	**43,204**	(97,463)

	Number of shares	
	2016	2015
Share		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/loss per share calculations	**1,762,377,017**	1,604,264,688

10. TRADE RECEIVABLES

	2016	2015
	HK$'000	*HK$'000*
Trade receivables	**45,284**	30,848
Impairment	**(10,819)**	(9,095)
	34,465	21,753

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 aging 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:

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**28,490**	16,533
1 to 3 months	**446**	1,140
3 to 6 months	**5,473**	3,834
over 6 months	**56**	246
	34,465	21,753

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

	2016	2015
	HK$'000	*HK$'000*
At beginning of year	**9,095**	8,831
Impairment losses recognised	**2,311**	658
Exchange realignment	**(587)**	(394)
	10,819	9,095

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

	2016	2015
	HK$'000	*HK$'000*
Neither past due nor impaired	**28,936**	17,673
Past due but not impaired	**5,529**	4,080
	34,465	21,753

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.

At 31 December 2016, there was no trade receivables (2015: HK$621,000) due from the Group's associate, which are repayable on credit terms similar to those offered to the major customers of the Group.

11. TRADE PAYABLES

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

	2016	2015
	HK$'000	*HK$'000*
Within 1 month	**60,598**	43,109
1 to 3 months	**28,336**	20,682
3 to 6 months	**13,807**	8,650
6 to 12 months	**2,026**	953
More than 1 year	**2,683**	1,702
	107,450	75,096

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$2,762,000 (2015: HK$2,038,000), which is the accrued interest for the loan.

13. COMMITMENTS

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

	2016	2015
	HK$'000	*HK$'000*
Authorised, but not contracted for:		
Land and buildings	**10,000**	10,000

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2016, the Group recorded revenue of HK$727.6 million (2015: HK$659.7 million), representing an increase of 10.3% from last year. The increase in revenue was due to the expansion of the network of premium distributors throughout the year.

Profit attributable to owners of the parent for the year was HK$43.2 million (2015: loss of HK$97.5million). The improvement was principally due to the increase in revenue, better gross profit contribution and stringent control over expenditures.

For the year ended 31 December 2016, selling and distribution expenses reduced by 23.0% to approximately HK$89.5 million (2015: HK$116.2 million), which was mainly due to the Group has exercised better control on promotion and exhibition expenses. Administration expenses also decreased by 32.4% to HK$75.5 million (2015: HK$111.8 million), which was mainly due to the implementation of stringent cost control measures as well as streamlining the overall administrative processes. Finance costs during the year decreased by 15.7% to HK$20.1 million (2015: HK$23.8 million) as the Group paid lesser interest expenses as a result of the reduction of loans from financial institutions.

BUSINESS REVIEW

Despite the economy of China remained challenging, the Group was able to achieve a business turnaround and recorded profit attributable to owners of the parent of HK$43.2 million (2015: loss of HK$97.5 million).

New products with higher margin launched by the Group during the year were well accepted by the market. This resulted in increase of 11.5 percentage-point in the Group's overall gross profit margin from 16.7% for the year ended 31 December 2015 to 28.2% for the year ended 31 December 2016.

Sales and Network Management

During the year under review, the two divisions, New Franchisee Recruitment Team and Store Maintenance Team of the Group's sales department, functioned well in serving existing franchisees and engaging new ones, as well as managing shop images and operations.

Brand Management

Ms. Lin Chi Ling, a famous model and movie star in Asia, continued to be the Group's spokesperson and will feature in the Group's advertisements as well as other marketing activities to promote the Group's brand name.

The Group implemented a full dimensional advertising strategy by launching the "Royal Furniture Train" for high speed rail in China that runs along the Beijing-Guangzhou route. In addition, commercial advertisements of the Group were constantly played on the LED screens in the carriages that run along the Beijing-Shanghai route, as well as in the "Royal Furniture" exclusive lounges at 16 rail stations of the route, and the Group sponsored the 2016 Chinese Film Festival and the Fourth Shenzhen "Top Ten Chinese Films" commendation ceremony. This series of activities effectively enhanced the Group's brand awareness and provided consumers with the Group's product information. The Group will also work closely with both traditional and online media aiming to maintain our exposure to the public and to enhance our image as a household brand.

Inventory and Prepayments, Deposits and Other Receivables

The Group's inventory remained stable at around HK$221 million for the years ended 31 December 2016 and 2015 respectively. Prepayments, deposits and other receivables decreased by 7.4% to HK$86.2 million (2015: HK$93.1 million). The decrease was mainly due to the settlement of advances paid to outsourcing factories during the year.

Working Capital Challenge

The Group had net current liabilities of HK$87.9 million by the end of the year (2015: HK$62.2 million). The Group will continue to take initiatives to improve its working capital.

Liquidity and Financial Resources

The Group maintained a cash and cash equivalents amounted to HK$103.5 million as at 31 December 2016 (2015: HK$89.8 million).

As at 31 December 2016, additional to the interest bearing bank and other borrowings amounted to HK$319.8 million (2015: HK$450.6 million), the Group had loans from a director, non-controlling interests and medium term bonds of HK$65.4 million (2015: loan from non-controlling interests of HK$38.1 million). As at the year end, the net debt divided by capital plus net debt of the Group was 32.0% (2015: 35.0%). Approximately, 75.6% 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 operating cash inflow and outflow are predominantly in Renminbi.

As at 31 December 2016, the Group's current ratio (current assets to current liabilities) decreased to 0.85 (2015: 0.89) and the net current liabilities amounted to HK$87.9 million (2015: net current liabilities HK$62.2 million).

PROSPECT

The turnaround in 2016 has proved that the Group's restructuring is in the right direction. The Group will continue its business strategies in enhancing its profitability, as well as sharpening its competitive edges to attain larger market share.

Further resources have been committed to enhance the recognition of its brand "Royal Furniture" among domestic consumers. In view of the market trend and the consumer demand for one-stop full-category shopping, the Group has made appropriate arrangements to get ready for its "Complete Household Solutions", in order to be a pioneer in the new market. Such that the Group may provide a one-stop solution for customers in respect of their overall household furniture, and fully satisfy their consumption needs in personal style in furniture.

While the consumption market in China is expected to remain weak, the Group is cautiously positive that it is on the right track in deepening its market penetration. Along with progressive improvement in quality of the franchise stores in 2017, the Group is expecting fruitful results for shareholders in the coming years.

Employees and Remuneration Policies

As at 31 December 2016, the Group had approximately 2,561 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 met 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.

SCOPE OF WORK OF AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit of loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2016 as set out in the preliminary announcement have been agreed by the Company's auditors to the amounts set out in the Group's consolidated financial statements for the year. The work performed by the Company's auditors 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 the Company's auditors on the preliminary announcement.

AUDIT COMMITTEE

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, accounting principles 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 2016, 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 2016.

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.

DIVIDEND

The Board has resolved not to declare a final dividend for the year ended 31 December 2016 (2015: Nil).

Closure of the Register of Members

The Register of Members of the Company will be closed from 31 May 2017 to 5 June 2017, both days inclusive. In order to be eligible to attend and vote at the forthcoming annual general meeting to be held on 5 June 2017, all transfer 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 29 May 2017.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Company (www.hkroyal.com) and the Stock Exchange (www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2016 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
Royale Furniture Holdings Limited
Tse Kam Pang
Chairman

Hong Kong, 28 March 2017

As at the date of this announcement, the Board comprises four Executive Directors, namely, Mr. Tse Kam Pang, Mr. Chen Hao, Mr. Tse Hok Kan 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.