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)

INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

RESULTS

The Board of directors (the "Board") of Royale Furniture Holdings Limited (the "Company") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2017 (the "Period") together with the comparative figures for the corresponding period in 2016. The interim results for the Period had been reviewed by the audit committee of the Company and approved by the Board.

* *For identification purposes only*

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2017

	Notes	Six months ended 30 June 2017 HK$'000 (Unaudited)	2016 HK$'000 (Unaudited)
REVENUE	*4*	**384,567**	363,042
Cost of sales		**(254,671)**	(251,726)
Gross profit		**129,896**	111,316
Other income and gains	*4*	**12,746**	8,774
Selling and distribution expenses		**(69,334)**	(54,342)
Administrative expenses		**(47,491)**	(45,785)
Finance costs	*6*	**(11,970)**	(8,392)
Share of losses of associates		**–**	(270)
PROFIT BEFORE TAX	*5*	**13,847**	11,301
Income tax expenses	*7*	**–**	(974)
PROFIT FOR THE PERIOD		**13,847**	10,327
ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		**13,103**	10,794
NON-CONTROLLING INTERESTS		**744**	(467)
		13,847	10,327
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	*9*		
Basic		**HK$0.74 cents**	HK$0.61 cents
Diluted		**HK$0.73 cents**	HK$0.61 cents

Details of the dividends payable and proposed for the Period are disclosed in note 8 to the condensed consolidated interim financial statements of the Period.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2017

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**13,847**	10,327
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Exchange difference arising from translation of foreign operations	**28,411**	(25,764)
Total comprehensive income/(loss) for the period	**42,258**	(15,437)
Attributable to:		
Owners of the parent	**39,246**	(13,487)
Non-controlling interest	**3,012**	(1,950)
	42,258	(15,437)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2017

	Notes	**30 June 2017 HK$'000 (Unaudited)**	31 December 2016 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,007,006**	1,006,092
Investment properties		**398,483**	398,483
Prepaid land lease payments		**75,239**	74,036
Goodwill		**67,730**	67,730
Intangible assets		**2,285**	2,478
Total non-current assets		**1,550,743**	1,548,819
CURRENT ASSETS			
Inventories		**256,021**	221,099
Trade receivables	*10*	**46,008**	34,465
Available-for-sale investment		**3,314**	3,215
Pledged deposits		**40,964**	39,737
Prepayments, deposits and other receivables		**99,828**	86,158
Cash and cash equivalents		**36,298**	103,516
Total current assets		**482,433**	488,190
CURRENT LIABILITIES			
Trade payables	*11*	**88,770**	107,450
Other payables and accruals		**97,610**	137,502
Interest-bearing bank and other borrowings		**276,634**	228,132
Tax payable		**103,039**	103,039
Total current liabilities		**566,053**	576,123
NET CURRENT LIABILITIES		**(83,620)**	(87,933)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,467,123**	1,460,886

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2017

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES	**1,467,123**	1,460,886
NON-CURRENT LIABILITIES		
Medium term bonds	**27,115**	15,833
Interest-bearing bank and other borrowings	**36,438**	91,709
Loan from non-controlling interests	**39,727**	37,565
Loan from a director	**12,000**	12,000
Deferred tax liabilities	**56,371**	56,371
Deferred government grant	**50,462**	48,949
Total non-current liabilities	**222,113**	262,427
Net assets	**1,245,010**	1,198,459
EQUITY		
Equity attributable to owners of the parent		
Share capital	**176,238**	176,238
Reserves	**992,368**	948,829
	1,168,606	1,125,067
Non-controlling interests	**76,404**	73,392
Total equity	**1,245,010**	1,198,459

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2017

	Attributable to owners of the Company										
	Share capital *HK$'000*	Share premium account *HK$'000*	Share option reserve *HK$'000*	Asset valuation reserve *HK$'000*	Available-for-sale investment revaluation reserve *HK$'000*	Statutory reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
At 1 January 2016 (audited)	176,238	889,494	14,070	90,537	421	8,237	117,550	(190,736)	1,105,811	67,528	1,173,339
Profit for the period	–	–	–	–	–	–	–	10,794	10,794	(467)	10,327
Other comprehensive loss for the period:											
Exchange differences related to foreign operations	–	–	–	–	–	–	(24,281)	–	(24,281)	(1,483)	(25,764)
Total comprehensive loss for the period	–	–	–	–	–	–	(24,281)	10,794	(13,487)	(1,950)	(15,437)
Equity settled share option expense	–	–	225	–	–	–	–	–	225	–	225
At 30 June 2016 (unaudited)	176,238	889,494	14,295	90,537	421	8,237	93,269	(179,942)	1,092,549	65,578	1,158,127
At 1 January 2017 (audited)	**176,238**	**889,494**	**18,887**	**142,239**	**–**	**8,535**	**32,045**	**(142,371)**	**1,125,067**	**73,392**	**1,198,459**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**13,103**	**13,103**	**744**	**13,847**
Other comprehensive income for the period:											
Exchange differences related to foreign operations	**–**	**–**	**–**	**–**	**–**	**–**	**26,143**	**–**	**26,143**	**2,268**	**28,411**
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**–**	**–**	**26,143**	**13,103**	**39,246**	**3,012**	**42,258**
Equity settled share option expense	**–**	**–**	**4,293**	**–**	**–**	**–**	**–**	**–**	**4,293**	**–**	**4,293**
At 30 June 2017 (unaudited)	**176,238**	**889,494***	**23,180***	**142,239***	**–**	**8,535***	**58,188***	**(129,268)***	**1,168,606**	**76,404**	**1,245,010**

* *These reserve accounts comprise the consolidated reserves of HK$992,368,000 (31 December 2016: HK$948,829,000) in the condensed consolidated statement of financial position.*

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2017

	2017 *HK$'000* (Unaudited)	2016 *HK$'000* (Unaudited)
Net cash flow (used in)/from operating activities	**(50,858)**	2,761
Net cash flow used in investing activities	**(3,222)**	(28,295)
Net cash flow (used in)/from financing activities	**(16,339)**	31,761
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(70,419)**	6,227
Cash and cash equivalents at beginning of period	**103,516**	89,831
Effect of foreign exchange rate changes, net	**3,201**	27
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**36,298**	96,085
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**36,298**	96,085

NOTES TO FINANCIAL STATEMENTS

At 30 June 2017

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2017 have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 Interim Financial Reporting issued by the Hong Kong Institute of Certified Public Accountants.

The condensed consolidated interim financial statements for the Period do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2016.

The Group recorded a consolidated net profit of HK$13,847,000 (six months ended 30 June 2016: HK$10,327,000) for the six months ended 30 June 2017 and as at 30 June 2017, the Group recorded net current liabilities of HK$83,620,000 (31 December 2016: HK$87,933,000). 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.

2. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements for the Period are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2016, except for the adoption of new standards and interpretations effective as of 1 January 2017. The adoption of the new standards and interpretations has had no material effect on these interim condensed consolidated financial statements for the Period. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

None of the Group's sales to a single customer amounted to 10% or more of the Group's revenue during the Period (six months ended 30 June 2016: Nil).

4. REVENUE, OTHER INCOME AND GAINS

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

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**384,567**	363,042
Other income and gains		
Bank interest income	**15**	26
Rental income	**9,807**	2,015
Sales of scraps	**552**	1,410
Others	**2,372**	5,323
	12,746	8,774
	397,313	371,816

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging:

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Cost of goods sold	**254,671**	251,726
Depreciation of items of property, plant and equipment	**30,175**	36,410
Amortisation of intangible assets	**271**	210
Minimum lease payments under operating leases in respect of land and buildings	**4,309**	7,607

6. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on medium term bonds	**1,032**	96
Interest on bank and other borrowings	**9,717**	7,149
Interest on loan from non-controlling interests	**1,221**	1,147
	11,970	8,392

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 Period. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – PRC corporate income tax	**–**	974
Total tax charge for the period	**–**	974

Under Decree – Law no. 58/99/M, companies in Macau incorporated under that Decree – Law (referred to as the "58/99/M Companies") are exempted from Macau complementary tax (Macau income tax) as long as they do not sell their products to a Macau resident company. Sino Full Macao Commercial Offshore Limited, a subsidiary of the Group, is qualified as a 58/99/M company.

8. DIVIDENDS

The directors of the Company has resolved not to declare an interim dividend for the six months ended 30 June 2017 (six months ended 30 June 2016: Nil).

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

The calculation of basic earnings per share amounts is based on the profit for the Period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,762,377,017 (six months ended 30 June 2016: 1,762,377,017) in issue during the Period.

The calculation of the diluted earnings per share amounts is based on the profit for the Period attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the Period, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

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

	Six months ended 30 June	
	2017	2016
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Earnings		
Profit attributable to ordinary equity holders of the parents, used in the basic and diluted earnings per share calculations	**13,103**	10,794

	Number of shares Six months ended 30 June	
	2017	2016
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**1,762,377,017**	1,762,377,017
Effect of dilution-weighted average number of ordinary shares:		
Share options	**26,621,896**	–

10. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally for a period of 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non 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 provisions, is as follows:

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**41,308**	28,490
1 to 3 months	**1,252**	446
3 to 6 months	**261**	5,473
over 6 months	**3,187**	56
	46,008	34,465

11. TRADE PAYABLES

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

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**83,491**	60,598
1 to 3 months	**2,684**	28,336
3 to 6 months	**469**	13,807
6 to 12 months	**802**	2,026
More than 1 year	**1,324**	2,683
	88,770	107,450

12. SHARE OPTION SCHEME

According to the scheme limit of the 2012 Scheme as refreshed on the annual general meeting of the Company held on 5 June 2017, the Company may further grant 176,237,701 (31 December 2016: 70,377,701) share options, representing approximately 10% (31 December 2016: 3.99%) of the issued share capital of the Company as at 30 June 2017.

13. COMMITMENTS

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

	30 June 2017	31 December 2016
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Authorised, but not contracted for:		
Land and buildings	**10,000**	10,000

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

14. EVENTS AFTER THE REPORTING PERIOD

Subsequent to the Period ended, 6,000,000 ordinary shares were issued as a result of the exercise of share option by an option holder. In addition, the Company has further issued 221,047,127 ordinary shares upon the completion of the open offer on 10 August 2017. After the above transactions, the issued share capital of the Company was enlarged to 1,989,424,144 shares.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Notwithstanding that China's economy remained stable during the first half of 2017, conventional consumer sectors, furniture market inclusive, continued to deal with severe challenges. However, with its dedicated efforts in business restructuring and reform and innovation over the past years, the effectiveness of the reform has been gradually unleashed and the Group recorded profit attributable to owners of the parent of HK$13.1 million for the period under review.

The Group launched several new product lines with higher profit margin during the period under review and they were well-received by the market. Besides, revenue from made-to-order furniture line achieved a higher growth during the period under review and resulted in an increase of 3.1 percentage-point in gross profit margin for the six months ended 30 June 2017.

During the period, the Group ceased all operations of the self-operating stores.

Sales and Network Management

The new franchisee development team and store maintenance team of the Group's sales department functioned well in serving existing franchisees and engaging new ones. Their work also yielded satisfactory results in enhancing shop images, strengthening the operation management and attracting more franchisees.

Brand Management

Ms. Lin Chi Ling, a famous model and movie star in Asia, continued to be the Group's spokesperson.

Following the launch of high-speed rail advertisement project in 2016, the Group continued to put greater effort in brand promotion and has cooperated with CCTV by launching TV commercials on three channels simultaneously, namely CCTV1, CCTV2 and CCTV13.

FINANCIAL REVIEW

Inventory and Prepayments, Deposits and Other Receivables

During the reporting period, the Group's inventory increased by 15.8% to HK$256.0 million (31 December 2016: HK$221.1 million). Such increase was mainly attributable to more product lines that had been launched by the Group.

Prepayments, deposits and other receivables increased by 15.9% to HK$99.8 million (31 December 2016: HK$86.2 million). These were mainly due to the advances paid to outsourcing factories for the newly lunched product series.

Working Capital Challenge

The Group had net current liabilities of HK$83.6 million during the reporting period (31 December 2016: HK$87.9 million). The Group will continue to take initiatives to improve its working capital.

PROSPECTS

The success of turnaround in the year of 2016 has proved that the Group's restructuring of business and organization was a right move. The Group will continue to push forward its reform and aggressively expand business channels on top of its reform measures in prior years. Key measures will include continuous launches of a certain number of high-end new product lines on top of the existing lines. Self-accountability for profit and loss will be further implemented in different departments, particularly in business units such as production and sales department to enhance operation efficiency, reduce operating costs and boost profitability. The Group will continue to implement its business strategies with a view to enhancing profitability, as well as sharpening its competitive edges to attain larger market share.

Resources will be continuously allocated to enhance the recognition of its brand "Royal Furniture" in the domestic market.

Furthermore, foreseeing the emerging wave of the whole category one-stop shopping and accommodating the market trend, the Group expects to launch a “Complete Household Solutions” consumer platform shortly to bring consumers a convenient and new shopping experience.

The management is thinking about the location of our current production facility given the rapid urbanization surrounding it.

While the consumer market is expected to remain challenging in the second half of 2017, the Group is cautiously optimistic that further market penetration can be achieved and performance should continue to improve. Along with the additional franchise stores to be gradually opened by the end of 2017, the Group is expecting a fruitful results for shareholders in the coming years.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash and cash equivalents amounted to HK$36.3 million as at 30 June 2017 (31 December 2016: HK$103.5 million).

As at 30 June 2017, addition to the interest-bearing bank and other borrowings amounted to HK$313.1 million (31 December 2016: HK$319.8 million), the Group had loans from a director, non-controlling interests and medium term bonds in a total of HK$78.8 million (31 December 2016: HK$65.4 million).

As at 30 June 2017, the current ratio (current assets/current liabilities) was 0.85 times (31 December 2016: 0.85 times) and the net current liabilities amounted to HK$83.6 million (31 December 2016: HK$87.9 million).

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2017 was approximately 2,418 (2016: 2,588). The Group’s remuneration policies are in line with local market practices where the Group operates and are normally reviewed on an annual basis. In addition to salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the Group.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

In compliance with 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. The division of responsibilities between the chairman and chief executive officer should be clearly established and set out in writing. Nonetheless, the Company has appointed Mr. Tse Kam Pang as both its chairman and chief executive officer, following the departure of the ex-CEO in 2012. The Board believes that vesting the roles of the chairman and the chief executive officer in the same person would allow the Company to be more effective and efficient in developing long-term business strategies and execution of business plans. The Board believes that the balance of power and authority is adequately ensured by the operation of the Board, which comprises experienced and technical individuals with a sufficient number thereof being independent non-executive directors.

AUDIT COMMITTEE REVIEW

The accounting information given in this interim results for the Period has not been audited but the audit committee of the Company has reviewed the financial results of the Group for the period ended 30 June 2017 and discussed with internal audit executives matters on internal control and financial reports of the Group. The audit committee of the Company has not undertaken external independent audit checks regarding the interim results for the Period.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

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

Having made specific enquiry to all the directors of the Company, the directors confirmed that they had complied with the Model Code for the period ended 30 June 2017.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities for the period ended 30 June 2017.

PUBLICATION OF INTERIM REPORT

The 2017 interim report for the Period of the Company, which contains condensed consolidated financial statements for the six months ended 30 June 2017, and all other information required under Appendix 16 of the Listing Rule will be despatched to shareholders of the Company and published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://www.todayir.com/en/showcases.php?code=1198) in due course.

By order of the Board
Royale Furniture Holdings Limited
Tse Kam Pang
Chairman and Chief Executive Officer

Hong Kong, 21 August 2017

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; three Independent Non-Executive Directors, namely, Dr. Donald H. Straszheim, Mr. Lau Chi Kit and Mr. Yue Man Yiu Matthew.