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 2017

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 2017, together with the comparative figures for the year ended 31 December 2016. The annual results for the year ended 31 December 2017 have been reviewed by the Company's audit committee.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
REVENUE	4	**848,925**	727,638
Cost of sales		**(599,302)**	(522,645)
Gross profit		**249,623**	204,993
Other income and gains	4	**35,312**	11,411
Selling and distribution expenses		**(105,465)**	(89,501)
Administrative expenses		**(89,537)**	(75,491)
Finance costs	6	**(22,308)**	(20,093)
Impairment of trade receivables, net		**(2,514)**	(2,311)
Other expenses		**(3,302)**	(6,184)
PROFIT BEFORE TAX	5	**61,809**	22,824
Income tax (expense)/credit	7	**(6,068)**	11,669
PROFIT FOR THE YEAR		**55,741**	34,493
Attributable to:			
Owners of the parent		**46,877**	43,204
Non-controlling interests		**8,864**	(8,711)
		55,741	34,493
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		**HK2.580 cents**	HK2.449 cents
			(Restated)
Diluted		**HK2.542 cents**	HK2.449 cents
			(Restated)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2017

	2017	2016
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**55,741**	34,493
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:		
Available-for-sale investments:		
Reclassification adjustments for gains included in the consolidated statement of profit or loss – gain on disposal	**–**	(421)
	–	(421)
Exchange differences on translation of foreign operations	**101,329**	(90,450)
Net other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods	**101,329**	(90,871)
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 INCOME/(LOSS) FOR THE YEAR, NET OF TAX	**101,329**	(7,156)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**157,070**	27,337
Attributable to:		
Owners of the parent	**143,851**	14,439
Non-controlling interests	**13,219**	12,898
	157,070	27,337

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2017

	Notes	2017 HK$'000	2016 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**1,056,316**	1,006,092
Investment properties		**459,849**	398,483
Prepaid land lease payments		**77,091**	74,036
Goodwill		**67,730**	67,730
Intangible assets		**4,739**	2,478
Prepayments		**81,963**	–
Total non-current assets		**1,747,688**	1,548,819
CURRENT ASSETS			
Inventories		**259,167**	221,099
Trade receivables	10	**53,776**	34,465
Available-for-sale investment		**–**	3,215
Prepayments, deposits and other receivables		**170,508**	86,158
Pledged deposits		**–**	39,737
Cash and cash equivalents		**82,182**	103,516
Total current assets		**565,633**	488,190
CURRENT LIABILITIES			
Trade payables	11	**116,545**	107,450
Other payables and accruals		**145,923**	137,502
Interest-bearing bank and other borrowings		**208,088**	228,132
Tax payable		**103,252**	103,039
Total current liabilities		**573,808**	576,123
NET CURRENT LIABILITIES		**(8,175)**	(87,933)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,739,513**	1,460,886

	Notes	**2017** **HK$'000**	2016 HK$'000
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,739,513**	1,460,886
NON-CURRENT LIABILITIES			
Medium term bonds		**28,208**	15,833
Interest-bearing bank and other borrowings		**87,298**	91,709
Loan from non-controlling interests	12	**42,438**	37,565
Loan from a director		**12,000**	12,000
Deferred tax liabilities		**54,926**	56,371
Deferred government grant		**50,738**	48,949
Total non-current liabilities		**275,608**	262,427
Net assets		**1,463,905**	1,198,459
EQUITY			
Equity attributable to owners of the parent			
Share capital		**199,143**	176,238
Reserves		**1,171,035**	948,829
		1,370,178	1,125,067
Non-controlling interests		**93,727**	73,392
Total equity		**1,463,905**	1,198,459

NOTES TO FINANCIAL STATEMENTS

31 December 2017

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. The Company and its subsidiaries (collectively referred to as the "Group") were principally engaged in the manufacture and sale of furniture.

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.

As at 31 December 2017, the Group recorded net current liabilities of HK$8,175,000 (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.

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 2017 on a going concern basis.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the Current Year's financial statements.

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014–2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

None of the above amendments to HKFRSs has had a significant financial effect on these 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.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[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*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC) – Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC) – Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014–2016 Cycle	Amendments to HKFRS 1 and HKAS 28[1]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
HKFRS 17	*Insurance Contracts*[3]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2021
4 No mandatory effective date yet determined but available for adoption

3. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the manufacture and sale of home furniture. For management purposes, the Group operates in one business unit based on its products, and has one reportable segment which is the manufacture and sale of home furniture.

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 (2016: Nil).

Geographical information

Because majority of the Group's revenue and non-current assets were located in the People's Republic of China (the "PRC"), no related geographical information of non-current assets is presented.

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:

	2017	2016
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**848,925**	727,638
Other income and gains		
Interest income	**116**	94
Fair value gains on investment properties	**1,569**	–
Gain on disposal of items of property, plant and equipment	**–**	126
Gain on disposal of available-for-sale investments	**82**	866
Gain on disposal of a subsidiary	**9,363**	–
Sales of scraps	**1,028**	1,511
Government subsidy	**1,984**	1,837
Rental income	**21,170**	6,977
	35,312	11,411

5. PROFIT BEFORE TAX

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

	2017	2016
	HK$'000	*HK$'000*
Cost of inventories sold	**592,493**	520,805
Depreciation	**51,427**	60,346
Amortisation of prepaid land lease payments	**2,328**	4,412
Amortisation of intangible assets*	**869**	540
Research and development costs*	**9,700**	9,887
Minimum lease payments under operating leases	**16,911**	23,752
Auditor's remuneration	**2,068**	1,680
Employee benefit expense (including directors' remuneration):		
Wages and salaries	**143,296**	135,188
Equity-settled share option expense	**5,949**	4,817
Pension scheme contributions	**8,274**	8,246
	157,519	148,251
Write-down of inventories to net realisable value**	**6,809**	1,840
Impairment of trade receivables, net *(note 10)*	**2,514**	2,311
Direct operating expenses (including repairs and maintenance) arising from rental-earning investment properties###	**2,604**	–
Fair value gains on investments properties	**(1,569)**	–
Interest income##	**(116)**	(94)
Loss/(gain) on disposal of items of property, plant and equipment##	**698**	(126)
Gain on disposal of a subsidiary	**(9,363)**	–
Loss on disposal of associates###	**–**	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" and "Other expenses" on the face of the consolidated statement of profit or loss.

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

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank loans and other loans (including medium term bonds)	**22,308**	20,093

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 (2016: Nil). Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	2017	2016
	HK$'000	*HK$'000*
Current – Mainland China		
Charge for the year	**30,474**	7,624
Overprovision in prior years	**(22,961)**	(17,454)
Deferred	**(1,445)**	(1,839)
Total tax charge/(credit) for the year	**6,068**	(11,669)

8. DIVIDENDS

No interim dividend was declared and paid in 2017 (2016: Nil). The directors of the Company have resolved not to declare a final dividend for the year ended 31 December 2017 (2016: Nil).

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

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,816,629,351 (2016 (Restated): 1,764,085,160) in issue during the year, as adjusted to reflect the open offer during the year.

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

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

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

	2017	2016
	HK$'000	*HK$'000*
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**46,877**	43,204

	Number of shares	
	2017	2016 (Restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**1,816,629,351**	1,764,085,160
Effect of dilution – weighted average number of ordinary shares:		
Share options	**27,525,259**	–
	1,844,154,610	1,764,085,160

10. TRADE RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**67,550**	45,284
Impairment	**(13,774)**	(10,819)
	53,776	34,465

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 ageing 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:

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**49,842**	28,490
1 to 3 months	**3,274**	446
3 to 6 months	**636**	5,473
over 6 months	**24**	56
	53,776	34,465

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

	2017	2016
	HK$'000	*HK$'000*
At beginning of year	**10,819**	9,095
Impairment losses recognised	**2,514**	2,311
Exchange realignment	**441**	(587)
	13,774	10,819

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

	2017	2016
	HK$'000	*HK$'000*
Neither past due nor impaired	**53,116**	28,936
Past due but not impaired	**660**	5,529
	53,776	34,465

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.

11. TRADE PAYABLES

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

	2017	2016
	HK$'000	*HK$'000*
Within 1 month	**71,097**	60,598
1 to 3 months	**27,747**	28,336
3 to 6 months	**13,871**	13,807
6 to 12 months	**1,404**	2,026
More than 1 year	**2,426**	2,683
	116,545	107,450

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$3,307,000 (2016: HK$2,762,000), which was the accrued interest for the loan.

13. COMMITMENTS

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

	2017	2016
	HK$'000	*HK$'000*
Authorised, but not contracted for:		
Land and buildings	**10,000**	10,000
Acquisition of subsidiaries	**10,887**	–
	20,887	10,000

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

For the year ended 31 December 2017, the Group recorded revenue of HK$848.9 million (2016: HK$727.6 million), representing an increase of 16.7% from last year. The increase in revenue was due to several new product lines with high profit margin were launched and they were well-received by the market.

Profit for the year was HK$55.7 million (2016: HK$34.5 million), representing an increase of 61.6%. Profit attributable to owners of the parent for the year was HK$46.9 million (2016: HK$43.2 million), representing an increase of 8.5%. The improvement was principally due to the increase in revenue, other income and gains and better gross profit contribution.

For the year ended 31 December 2017, selling and distribution expenses increased by 17.8% to approximately HK$105.5 million (2016: HK$89.5 million), which was mainly due to an increase in promotion and exhibition expenses and commission expenses. Administration expenses also increased by 18.6% to HK$89.5 million (2016: HK$75.5 million), which was mainly due to the increase in salaries for Directors and administrative staff and professional fee. Finance costs during the year increased by 11% to HK$22.3 million (2016: HK$20.1 million) as the Group paid more interest expenses as increased average duration of loan period.

BUSINESS REVIEW

In 2017, with the steady growth of China's economy, increasing per capita income level and people's desire of better quality of living, resulting a new trend of purchasing power. Being affected by the emerging social trends and scientific and technological developments, transformation and reform have become pressing for the conventional furniture industry.

During the year under review, the Group focused on products with higher gross profit margin. This resulted in increase of 1.2 percentage-point in the Group's overall gross profit margin from 28.2% for the year ended 31 December 2016 to 29.4% for the year ended 31 December 2017.

Sales and Network Management

During the year under review, the 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. In addition, the Group made remarkable achievements in stepping up efforts to combat counterfeit products during the year and seized several factories that manufacture counterfeit products to protect the legitimate interests and rights of distributors and consumers.

Brand Management

Ms. Lin Chi Ling, a famous celebrity 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. 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 increased by 17.2% to approximately HK$259.2 million (2016: HK$221.1 million), which was mainly due to the Group introduced more products series and inventories for project sales. Prepayments, deposits and other receivables increased by 97.9% to HK$170.5 million (2016: HK$86.2 million). The increase was mainly due to the increment of advances paid to outsourcing factories and suppliers to stabilised the cost and supply of raw materials for certain 2018 bulk projects.

Working Capital Challenge

The Group had net current liabilities of HK$8.2 million by the end of the year (2016: HK$87.9 million). The Group has substantially improved its working capital.

Liquidity and Financial Resources

The Group had cash and cash equivalents amounted to HK$82.2 million as at 31 December 2017 (2016: HK$103.5 million). As at 31 December 2017, the Group's current ratio (current assets to current liabilities) improved to 0.99 (2017: 0.85) and the net current liabilities amounted to HK$8.2 million (2016: net current liabilities HK$87.9 million).

As at 31 December 2017, additional to the interest bearing bank and other borrowings amounted to HK$295.4 million (2016: HK$319.8 million), the Group had loans from a director, non-controlling interests and medium term bonds of HK$82.6 million (2016: loan from non-controlling interests of HK$65.4 million). Approximately, 81.6% 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. Currently, the Group does not maintain any hedging policy with respect to these foreign currency exposures.

GEARING RATIO

The gearing ratio is defined as net debt divided by capital plus net debt was 29.0% as at 31 December 2017 (2016: 31.9%).

PROSPECT

The sales growth of 16.7% in 2017 has proved the reform in which the Group has implemented in recent years was successful. Looking forward to 2018, the traditional consumer sectors will have a momentum of recovery, which is expected to boost the moderate price rise of consumer goods. Furthermore, domestic consumers tend to pay more attention on quality of mid-range to high-end products. The Group will develop products consistent with this market trend.

In the coming year, the Group will continue to move forward its reform in addition to the work already done in 2017. The Group will continuously launch new products to attract new premier franchisees, while serving existing franchisees, thus strengthening and optimizing the overall franchisees network. In order to strengthen our brand promotion, Ms. Lin Chi Ling, a famous celebrity in Asia, will continue to be the Group's spokesperson. Furthermore, in 2018, the Group will continue to launch TV commercials on the CCTV. We will enhance the management system and the supply chain management of the Group to improve the overall management level. Self-accountability for profit and loss will be further implemented in departments across the Group, particularly in frontline business units such as production and sales department to enhance operation efficiency and boost profitability.

Although partial recovery of the consumer market is expected, the Group prudently maintains a positive opinion that our business in various aspects will continue forward on the right track. In response to rapidly changing market demands, the Group has made fully preparation for the upcoming challenges.

Employees and Remuneration Policies

As at 31 December 2017, the Group had approximately 2,268 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 2017 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 2017, 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 2017.

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 2017 (2016: Nil).

Closure of the Register of Members

The Register of Members of the Company will be closed from Monday, 21 May 2018 to Friday, 25 May 2018, both days inclusive. In order to be eligible to attend and vote at the forthcoming annual general meeting to be held on Friday, 25 May 2018, 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 Friday, 18 May 2018.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

The annual results announcement is published on the website of the Company (www.royale.todayir.com) and the Stock Exchange (www.hkexnews.hk). An annual report of the Company for the year ended 31 December 2017 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 2018

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.