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 2019

RESULTS

The Board of directors (the "Board") of Royale Furniture Holdings Limited (the "Company") announces the unaudited interim condensed consolidated results of the Company and its subsidiaries (collectively the "Group") for the six months ended 30 June 2019 (the "Period") together with the comparative figures for the corresponding period in 2018. 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 2019

		Six months ended 30 June	
		2019	2018
	Notes	***HK$'000***	*HK$'000*
		(Unaudited)	(Unaudited)
			(Restated)
REVENUE	4	**384,948**	422,086
Cost of sales		**(258,335)**	(295,814)
Gross profit		**126,613**	126,272
Other income and gains	4	**13,387**	13,251
Selling and distribution expenses		**(65,043)**	(68,451)
Administrative expenses		**(52,473)**	(47,578)
Finance costs	6	**(9,390)**	(10,415)
PROFIT BEFORE TAX	5	**13,094**	13,079
Income tax expenses	7	**–**	–
PROFIT FOR THE PERIOD		**13,094**	13,079
ATTRIBUTABLE TO:			
OWNERS OF THE PARENT		**12,657**	13,924
NON-CONTROLLING INTERESTS		**437**	(845)
		13,094	13,079
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		**HK0.609 cents**	HK0.703 cents
Diluted		**N/A**	HK0.689 cents

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
PROFIT FOR THE PERIOD	**13,094**	13,079
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	**121**	(13,613)
Total comprehensive income/(loss) for the period	**13,215**	(534)
Attributable to:		
Owners of the parent	**12,767**	1,480
Non-controlling interest	**448**	(2,014)
	13,215	(534)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2019

	Notes	**30 June 2019 HK$'000 (Unaudited)**	31 December 2018 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,070,530**	1,043,664
Investment properties		**451,861**	448,961
Prepaid land lease payments		**137,150**	139,286
Goodwill		**34,482**	34,482
Intangible assets		**14,013**	15,695
Investment in an associate		**1,707**	1,707
Rights use assets		**13,761**	–
Prepayment		**96,630**	94,060
Total non-current assets		**1,820,134**	1,777,855
CURRENT ASSETS			
Inventories		**318,932**	294,619
Trade receivables	10	**96,728**	69,131
Prepayments, deposits and other receivables		**182,870**	170,977
Cash and cash equivalents		**119,390**	78,836
Total current assets		**717,920**	613,563
CURRENT LIABILITIES			
Trade payables	11	**42,760**	99,316
Other payables and accruals		**102,047**	132,233
Interest-bearing bank and other borrowings		**300,488**	258,632
Tax payable		**116,148**	116,148
Total current liabilities		**561,443**	606,329
NET CURRENT ASSETS		**156,477**	7,234
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,976,611**	1,785,089

	Notes	**30 June 2019** *HK$'000* **(Unaudited)**	31 December 2018 *HK$'000* (Audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,976,611**	1,785,089
NON-CURRENT LIABILITIES			
Medium term bonds		**30,726**	30,034
Interest-bearing bank and other borrowings		**124,083**	31,340
Loan from non-controlling interests		**34,916**	41,102
Loan from a director		**–**	12,000
Lease liabilities		**11,864**	–
Deferred tax liabilities		**80,617**	80,609
Deferred government grant		**46,539**	46,536
Total non-current liabilities		**328,745**	241,621
Net assets		**1,647,866**	1,543,468
EQUITY			
Equity attributable to owners of the parent			
Share capital		**216,547**	201,344
Reserves		**1,323,112**	1,234,365
		1,539,659	1,435,709
Non-controlling interests		**108,207**	107,759
Total equity		**1,647,866**	1,543,468

NOTES TO FINANCIAL STATEMENTS

At 30 June 2019

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2019 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 interim condensed consolidated 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 2018.

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures

Other than as explained below regarding the impact of HKFRS 16 *Leases*, Amendments to HKAS 28 *Long-term Interests in Associates and Joint Ventures* and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information.

2.1. Adoption of HKFRS 16

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities and other payables. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

For the leasehold land and buildings (that were held to earn rental income and/or for capital appreciation) previously included in investment properties and measured at fair value, the Group has continued to include them as investment properties at 1 January 2019. They continue to be measured at fair value applying HKAS 40.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- Applied the short-term lease exemptions to leases with a lease term that ends within 12 months from the date of initial application

- Used hindsight in determining the lease term where the contract contains options to extend/terminate the lease *(a)* ***The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:***

	Increase/ (decrease) *HK$'000* (Unaudited)
Assets	
Increase in right-of-use assets	150,355
Decrease in prepaid land lease payments	(139,286)
Increase in total assets	11,069
Liabilities	
Increase in other payables	2,220
Increase in lease liabilities	8,849
Increase in total liabilities	11,069

(b) ***Nature of the effect of adoption of HKFRS 16***

The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 is as follows:

	HK$'000 (Unaudited)
Operating lease commitments as at 31 December 2018	
Weighted average incremental borrowing rate as at 1 January 2019	4.91%
Discounted operating lease commitments as at 1 January 2019	12,613
Less: Commitments relating to short-term leases and those leases with a remaining lease term ending on or before 31 December 2019 and low-value assets	(1,544)
Lease liabilities as at 1 January 2019	11,069

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term. When a right-of-use asset meets the definition of investment property, it is included in investment properties. The corresponding right-of-use asset is initially measured at cost, and subsequently measured at fair value, in accordance with the Group's policy for 'investment properties'.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

Significant judgement in determining the lease term of contracts with renewal options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has the option, under some of its leases, to lease equipment for additional terms of three years. The Group applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. It considers all relevant factors that create an economic incentive for it to exercise the renewal. After the lease commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within the control of the Group and affects its ability to exercise the option to renew.

The Group included the renewal period as part of the lease term for leases of machinery due to the significance of these assets to its operations. These leases have a short non-cancellable period and there will be a significant negative effect on production if a replacement is not readily available.

(c) Amounts recognised in the statement of financial position and profit or loss

	Right-of-use assets	**Lease liabilities and other payables**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
As at 1 January 2019	150,355	11,069
Additions	4,515	4,515
Depreciation charge	(1,810)	–
Amortisation of prepaid land lease payments	(2,123)	–
Interest expense	–	453
Payments	–	(2,268)
Exchange realignment	(2,162)	(13)
As at 30 June 2019	148,775	13,756

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 2018: 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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**384,948**	422,086
Other income and gains		
Bank interest income	**8**	10
Rental income	**9,680**	10,431
Sales of scraps	**143**	590
Fair value gains on investment properties	**3,360**	–
Others	**196**	2,220
	13,387	13,251
	398,335	435,337

5. PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
		(Restated)
Cost of goods sold	**258,335**	293,814
Depreciation of items of property, plant and equipment	**31,343**	35,704
Amortisation of intangible assets	**1,588**	934

6. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Interest on bank loans and other loans (including medium term bonds)	**9,390**	10,415

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	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Current – PRC corporate income tax	**–**	–
Total tax charge for the period	**–**	–

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 2019 (six months ended 30 June 2018: 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 2,077,961,617 (six months ended 30 June 2018: 1,980,506,680) 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 Group had no potentially dilutive ordinary shares in issue during the period ended 30 June 2019.

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

	Six months ended 30 June	
	2019	2018
	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	**12,657**	13,924

	Number of shares Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation	**2,077,961,617**	1,980,506,680
Effect of dilution-weighted average number of ordinary shares:		
Share options	**N/A**	40,729,011

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 180 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 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**60,262**	36,491
1 to 3 months	**23,021**	14,668
3 to 6 months	**13,445**	17,972
	96,728	69,131

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 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Within 1 month	**28,392**	62,198
1 to 3 months	**11,033**	19,561
3 to 6 months	**2,694**	7,922
6 to 12 months	**342**	2,162
More than 1 year	**299**	7,473
	42,760	99,316

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 31 May 2019, the Company may further grant 216,546,777 (31 December 2018: 199,142,608) share options, representing approximately 10% (31 December 2018: 9.89%) of the issued share capital of the Company as at 30 June 2019.

13. COMMITMENTS

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

	30 June 2019	31 December 2018
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Contracted, but not provided for:		
Plant and machinery	**7,796**	7,796
Acquisition of equity investment	**–**	1,138
Acquisition of entities	**97,572**	–
	105,368	8,934

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, China and the US had undergone multiple rounds of trade negotiations. At the beginning of May 2019, the US imposed an unexpected additional tariff from 10% to 25% against the US$ 200 billion goods imported from China on top of the 25% tariff imposed on the US$ 50 billion goods imported from China, in response to which, China immediately raised the tariff to the highest rate of 25% against the US$ 60 billion goods imported from the US. As a result of the escalating US-China trade tension, China's economy had been adversely affected amid various uncertainties.

Due to the US-China trade tension, China's economic growth decelerated. Despite the fact that the Group's business operations mainly focus on domestic sales in China, the furniture industry was affected by fierce competition and changing market consumption patterns. In view of this, the Group had been committed to maintaining high product quality, outstanding brand quality, as well as expanding various effective sales channels. As a result, we continued to secure certain market share despite the fierce competition in the furniture industry.

During the period under review, revenue decreased by 8.8% to approximately HK$384.9 million, while the gross profit margin increased by 3 percentage points. During the same period, the profit for the period attributable to the owners of the parent company decreasing by 9.1% to HK$12.7 million.

Sales and Network Management

For the new sales channels, on top of our existing franchises business, the Group started to work with large property developers by co-operating with local distributors to provide design services to display flats, aiming to sell our products to those prospective property owners. In addition, the Group has managed a number of furniture procurement projects during the period under review by providing professional services such as design, manufacture and fitting of furniture.

Brand Management

Ms. Lin Chi Ling, a famous model 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. During the period under review, the Group was provided with her new image for our new products promotion.

The reputed image of Ms. Lin Chi Ling has effectively enhanced the brand of the Group together with the product information of the Group to consumers.

Furthermore, the Group worked closely with both traditional and new online media, aiming to maintain our exposure to the public, and to enhance the Group's image as a renowned household brand.

FINANCIAL REVIEW

Inventory and Prepayments, Deposits and Other Receivables

During the reporting period, the Group's inventory increased by 8.3% to HK$318.9 million (31 December 2018: HK$294.6 million). Such increase was mainly attributable to more product series that had been launched by the Group and inventories for project sales.

Prepayments, deposits and other receivables increased by 7.0% to HK$182.9 million (31 December 2018: HK$171 million). These were mainly due to the advances paid to suppliers for securing supply and the pricing of certain raw materials in the coming peak season.

Working Capital Challenge

The Group had net current assets of HK$156.5 million during the reporting period (31 December 2018: net current assets HK$7.2 million). The Group has improved its working capital.

SUBSCRIPTION AGREEMENT, THE SALE AND PURCHASE AGREEMENT AND POTENTIAL UNCONDITIONAL MANDATORY CASH GENERAL OFFOR BY JOINT OFFERORS

On 24 May 2019, the Group and Science City (Guangzhou) Investment Group (科學城(廣州)投資集團) ("Science City") entered into a subscription agreement, pursuant to which Science City conditionally agreed to subscribe for 433,093,554 new shares of the Group by cash. The Board has been informed by Great Diamond Developments Limited (the "Vendor") that on 24 May 2019, the Vendor, Science City (Hong Kong) Investment Co. Limited (the "Purchaser") and the Vendor's guarantors entered into the sale and purchase agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, an aggregate of 218,387,763 Shares for a total consideration of HK$257,697,560.34 (equivalent to HK$1.18 per Share). Reference is made to the announcement of the Company dated on 5 June 2019 and the circular of the Company dated 8 July 2019 in relation to, inter alia, the sale and purchase agreement, the subscription agreement and the concert group agreement referred to in the announcement. Upon the completion of the subscription agreement and the sale and purchase agreement, the Joint Offerors (as referred to in the Company's announcement dated 5 June 2019) and parties acting in concert with them will be interested in a total of 1,396,038,406 Shares, representing approximately 53.72% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Joint Offerors will then be required to make an unconditional mandatory cash general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with them) pursuant to Rule 26.1 of the Takeovers Code.

PROSPECTS

Looking into the second half of 2019, domestic consumers continue to display demand for mid to high-end, high quality personalised and customised products, despite comparatively greater downward pressure that may weigh on China's economy amid the ongoing trade war between China and America.

The Group will develop new products in close synchronization with the market and consumer trend, while launching a number of various product series to entice new franchisees. In addition, mid to high-end new products will be introduced to the markets in tier-1 and tier-2 cities. Furthermore, our sales team will enhance the franchisees' service quality and optimize its franchisee network. On the other hand, the management will continue to identify sizeable furniture projects to expand its sales sources.

Aiming to expand production capacity and foray into the Northern China market, the Group will build a new production base in Guangdong Province and establish new distribution spots in Northern China. The production base will be equipped with high machanized production facilities, aiming to reduce labour cost, constantly improve the product quality, and increase overall production efficiency.

Upon the Subscription Completion, the Sale and Purchase Completion and potential unconditional mandatory general offer completion, Science City may become one of majority shareholder of the Group. The Group anticipates that Science City will bring us various opportunities.

In anticipation that the Chinese consumer market is exposed to various impacts, the Group will, however, maintain a prudent but positive position on various business developments, and prepare well to embrace challenges arising from the constantly changing market demands in the future.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash and cash equivalents amounted to HK$119.4 million as at 30 June 2019 (31 December 2018: HK$78.8 million).

As at 30 June 2019, addition to the interest-bearing bank and other borrowings amounted to HK$424.6 million (31 December 2018: HK$290.0 million), the Group had loans from a director, non-controlling interests and medium term bonds in a total of HK$65.6 million (31 December 2018: HK$83.1 million).

As at 30 June 2019, the current ratio (current assets/current liabilities) was 1.28 times (31 December 2018: 1.01 times) and the net current assets amounted to HK$156.5 million (31 December 2018: net current assets HK$7.2 million).

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2019 was approximately 2,135 (2018: 2,268). 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 2019 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 2019.

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 2019.

PUBLIC FLOAT

Reference is made to the announcement of the Company dated on 5 June 2019 and the circular of the Company dated 8 July 2019 in relation to, inter alia, the sale and purchase agreement, the subscription agreement and the concert group agreement referred to in the announcement.

Upon the completion of the subscription agreement and the sale and purchase agreement, the Joint Offerors (as referred to in the Company's announcement dated 5 June 2019) and parties acting in concert with them will be interested in a total of 1,396,038,406 Shares, representing approximately 53.72% of the issued share capital of the Company as enlarged by the allotment and issue of the Subscription Shares. The Joint Offerors will then be required to make an unconditional mandatory cash general offer for all the issued Shares (other than those already owned or agreed to be acquired by the Joint Offerors and parties acting in concert with them) pursuant to Rule 26.1 of the Takeovers Code. The Joint Offerors intend for the Company to remain listed on the Stock Exchange. The directors of the Joint Offerors and the new directors to be appointed to the Board (as applicable) will jointly and severally undertake to the Stock Exchange to take appropriate steps to ensure that sufficient public float exists in the Shares.

PUBLICATION OF INTERIM REPORT

The 2019 interim report for the Period of the Company, which contains condensed consolidated financial statements for the six months ended 30 June 2019, 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://royale.todayir.com) in due course.

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

Hong Kong, 22 July 2019

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