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)

UPDATE ON PROFIT WARNING

This announcement is made by Royale Furniture Holdings Limited (the "**Company**", together with its subsidiaries, the "**Group**") pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and the Inside Information Provisions (as defined in the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**").

Reference is made to the profit warning announcement of the Company dated 11 May 2020 (the "**Announcement**"). The purpose of this announcement is to update the Shareholders and potential investors on the Announcement while the Group is still finalizing its unaudited consolidated financial results for the six months ended 30 June 2020. Capitalised terms used herein shall have the same meanings as those defined in the Announcement, unless the context requires otherwise.

UPDATE ON PROFIT WARNING

Based on the preliminary review by the Board on the latest unaudited management accounts of the Group for the six months ending 30 June 2020, which have not been reviewed or audited by the independent auditors and/or the audit committee of the Company, and taking into consideration of the information currently available to the Board, the Board wishes to update Shareholders and potential investors that the Group is expected to record a significant loss attributable to owners of the parent within the range of approximately HK$115 million to HK$135 million as compared with a profit attributable to owners of the parent of HK$12,657,000 for the corresponding period of 2019. The revenue of the Group is also likely to decline significantly, representing a figure within the range of 40% to 50% as compared with that for the corresponding period of 2019. The Group is expected to record a substantial decrease in gross profit margin to approximately -3% to -7% as compared with the gross profit margin of 32.9% for the corresponding period of 2019. The Group has recorded a positive gross profit margin of approximately 1% to 4% for its principal activity (i.e. manufacturing and sales of furniture) for the six months ended 30 June 2020. The decrease of the gross profit margin of the Group's principal activity was mainly attributable to the substantial decrease in revenue and high fixed cost such as depreciation on property, plant and equipment. In addition, The negative gross profit margin recorded by the Group for the six months ended 30 June 2020 was primarily attributable to the substantial decrease in the operating revenue of a hotel of the Group, which was insufficient to cover the relatively large fixed costs corresponding to such operations and thereby resulted in a gross loss in such operations.

As disclosed in the Announcement, the Board believes that the expected decrease in revenue and significant loss attributable to owners of the parent are primarily attributable to:

1. the decrease in revenue from sale of furniture of the Group as affected by the market condition with negative sentiment in the durable goods consumption sector and supervisory policies and measures introduced by the government due to the outbreak of the COVID-19 pandemic; and

2. the relatively high fixed costs attached to the business model of the Group in conducting its principal business for the six months ended 30 June 2020.

As the Company has not yet obtained/finalised the consolidated financial results of the Group for the six months ending 30 June 2020, the information contained in this update announcement is only based on the information currently available to the Company and the preliminary review by the Board on the unaudited management accounts of the Group for the six months ended 30 June 2020, which have not been reviewed or audited by the independent auditors and/or the audit committee of the Company. The actual financial results of the Group for the six months ending 30 June 2020 may differ from what is disclosed in this update announcement.

Shareholders and potential investors are advised to read carefully the announcement of the Company for the interim results for the six months ending 30 June 2020, which is expected to be published in August 2020 in accordance with the requirements of the Listing Rules.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 5 August 2020

As at the date of this announcement, the Board comprises two executive Directors, namely, Mr. Tse Kam Pang (Chairman) and Mr. Yang Jun; four non-executive Directors, namely, Mr. Wu Zhongming, Mr. Wu Dingliang, Ms. Qin You and Mr. Liu Zhijun; and three independent non-executive Directors, namely, Mr. Lau Chi Kit, Mr. Yue Man Yiu Matthew and Mr. Chan Wing Tak Kevin.

* *for identification purpose only*