Interim Report 2013

皇朝傢俬

ROYALE FURNITURE HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1198

CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Tse Kam Pang *(Chairman, Chief Executive Officer)*
Mr. Chang Chu Fai J. Francis *(Vice Chairman)*
Mr. Zeng Lejin *(Chief Operating Officer)*
Mr. Tse Wun Cheung
Mr. Lam Toi

Independent Non-Executive Directors

Dr. Donald H. Straszheim
Mr. Lau Chi Kit
Mr. Yue Man Yiu Matthew

AUDIT COMMITTEE

Mr. Yue Man Yiu Matthew *(Chairman)*
Dr. Donald H. Straszheim
Mr. Lau Chi Kit

REMUNERATION COMMITTEE

Mr. Lau Chi Kit *(Chairman)*
Dr. Donald H. Straszheim
Mr. Yue Man Yiu Matthew

NOMINATION COMMITTEE

Mr. Lau Chi Kit *(Chairman)*
Dr. Donald H. Straszheim
Mr. Yue Man Yiu Matthew

COMPANY SECRETARY

Ms. Chan Wei Fun, CPA

AUDITORS

Ernst & Young

SOLICITORS

DLA Piper Hong Kong

PRINCIPAL BANKER

Hang Seng Bank Limited
The Hongkong and Shanghai Banking Corporation Limited
Bank of China (Hong Kong) Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Bank of Butterfield International (Cayman) Ltd.
Butterfield House
68 Fort Street
P.O. Box 705
George Town
Grand Cayman
Cayman Islands
British West Indies

CORPORATE INFORMATION *(Continued)*

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Tengis Limited
26th Floor, Tesbury Centre,
28 Queen's Road East,
Hong Kong

REGISTERED OFFICE

Century Yard, Cricket Square
Hutchins Drive
P.O. Box 2681 GT
Grand Cayman
Cayman Islands
British West Indies

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 204, 2/F
Wing On Plaza
62 Mody Road
Tsim Sha Tsui East
Kowloon, Hong Kong

STOCK CODE

1198

INVESTOR RELATIONS

Tel: (852) 2636-6648
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MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The economic data of China in the first half of 2013 reflect almost on all fronts the slowest growth in years since the early part of 2009. Mirroring the slow growth of the Chinese economy, the overall Chinese consumption remained weak; hence, it has further dampened the demand for the Group's products during the first half of 2013.

For the six months' period ended June 30, 2013, the Group's turnover recorded a decline of 25.3% at HK$372.4 million (2012: HK$498.3 million), as the Group continued to suffer from the overall poor retail sentiment and the restrictive housing policy of the Central government. Gross profit dropped 56.7% to HK$65.3 million (2012: HK$150.8 million) adversely affected by the decreased gross profit margin at 17.5% (2012: 30.3%) due to the Group's significant decrease in the economies of scale in a continuous declining sales environment.

During the period under review, while the percentage of the total selling and distribution and administrative expenses to revenue has increased sharply to 37.3% (2012: 25.5%), the total amount of these operating expenses only increases modestly to HK$139.0 million (2012: HK$127.3 million). The finance costs during the period have increased slightly to HK$10.7 million (2012: HK$9.6 million). The declining sales and much worsened gross profit margin against the relatively fixed operating expenses caused a net loss attributable to equity holders of the Group of HK$90.3 million compared to a net profit at HK$9.9 million for 2012.

OPERATIONAL REVIEW

During the period under review, the Group encountered declined sales on both segments of franchise and self operating stores due to decline of same store sales and closure of non performing stores. Certain closures of the self operating stores have resulted in one off expenses such as write-off on store decoration investments.

In order to refresh our brand image, the Group has appointed a new spokesperson, Ms. Lin Chiling in early 2013. With the new face representing our brand, the Group launched a major rebranding and promotion campaign in the first half of 2013 which included providing advertisement supports and sales promotions for our dealers. Even though such a campaign has not resulted with enhanced sales and profits in the immediate term, management holds the view that it was deemed necessary under the circumstance and it should yield benefits in the longer term.

The Group has continued to implement a series of cost cutting programs to contain its overhead and administration expenses. In addition, all of the executive directors of the Group continued to voluntarily cut their monthly salaries by 50% until the operating performance of the Group turned around.

INVENTORY

At the end of the period, the Group's inventory remained at a high level of HK$360.9 million (31 December 2012: HK$322.4 million) representing an increase of 11.9% from the 2012 year end. Such high inventory level was mainly due to the following three factors: (i) our work-in-progress has increased substantially due to a major export project was being completed for final shipments in August; (ii) there was an increase of raw material in the category of solid wood as we purchase in bulk orders at relatively attractive price; and (iii) higher level of finished goods due to launch of new product series and sales were slower than expected.

IMPORT BUSINESS

The development of the Group's import business was much slower than anticipated due to the poor market sentiment in demand for luxury goods in China given the frugality campaigns currently instigated by the Central Government. Depending on the market environment, the Group plans to launch various campaigns in the second half of 2013 to enhance its import brand image and related distribution channels.

EXPANSION

The Tianjin plant has commenced trial production runs on a relatively small scale and it has tentatively planned commercial production runs by the end of the third quarter or the beginning of the fourth quarter.

PROSPECTS

We expect the operating environment to remain very difficult in the second half of 2013. The Group is continuing to streamline its operations for better efficiency and competitiveness. Nonetheless, we remain optimistic over the longer term despite the current weakness period. Urbanization is a top priority of the Chinese Government in its 5-year plan. Millions of households are expected to migrate from the rural areas into the county townships or the third- and fourth-tier cities. This translates into continuous demand for housing units- and furniture- in the lower-tier cities. The Group will work with potential franchisees to serve this high-growth market segment.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES AND DEBENTURES

As at 30 June 2013, the interests and short positions of the Directors and chief executive in the shares (the "Shares") and underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in shares and underlying shares of the Company:

Name of Directors	Long position/ Short position	Number of Shares	Number of share options[1]	Aggregate percentage of interest as at 30 June 2013[2]
Tse Kam Pang	Long position	447,442,811[3]	6,329,000	39.07%
Chang Chu Fai Johnson, Franics	Long position	–	9,440,271	0.81%
Zeng Lejin	Long position	4,034,000	4,785,222	0.76%
Tse Wun Cheung	Long position	8,685,853	4,500,000	1.14%
Donald H. Straszheim	Long position	–	1,263,547	0.11%
Lau Chi Kit	Long position	–	1,260,000	0.11%
Yue Man Yiu Matthew	Long position	–	1,260,000	0.11%

Notes:

1. The number of share options refers to the number of underlying shares of the Company covered by the share options granted to them.

2. This represents the percentage of aggregate long position in shares and underlying shares to the total issued share capital of the Company as at 30 June 2013.

3. Of these 447,442,811 shares, 51,833,769 shares were held by Mr. Tse Kam Pang personally, 185,840,120 shares and 209,768,922 shares were held by Crisana International Inc. and Charming Future Holdings Limited, respectively, which are wholly and beneficially owned by Mr. Tse Kam Pang, who is deemed to be interested in the aggregate of 447,442,811 shares held by these companies.

Save as disclosed above, as at 30 June 2013, none of the Directors and the chief executive of the Company had any interest and short position in the Shares, debentures or underlying Shares of the Company and its associated corporation (within the meaning of Part XV of the SFO), as recorded in the register required to be kept under section 352 of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES

As at 30 June 2013, the following shareholders of the Company (other than the directors or the chief executive of the Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by the Company under section 336 of the SFO:

Long position:

Name of Shareholders	Capacity and nature of interest	Number of ordinary shares held	Aggregate percentage of interest as at 30 June 2013[1]
Crisana International Inc.	Directly beneficially owned	185,840,120[2]	16.00%
Charming Future Holdings Limited	Directly beneficially owned	209,768,922[3]	18.06%

Notes:

1. This represents the percentage of aggregate long position in Shares and underlying Shares to the total issued share capital of the Company as at 30 June 2013.

2. These 185,840,120 Shares were held by Crisana International Inc., a company which is wholly and beneficially owned by Mr. Tse Kam Pang, the Chairman of the Company, who is deemed to be interested in the 185,840,120 Shares held by Crisana International Inc. In addition, Mr. Tse Kam Pang personally held 51,833,769 Shares.

3. These 209,768,922 Shares were held by Charming Future Holdings Limited, a company which is wholly and beneficially owned by Mr. Tse Kam Pang, the Chairman of the Company, who is deemed to be interested in the 209,768,922 Shares held by Charming Future Holdings Limited. In addition, Mr. Tse Kam Pang personally held 51,833,769 Shares.

On 2 August 2013, the Group has successfully placed a total of 232,000,000 ordinary shares to Great Diamond Developments Limited at the price of HK$0.339 per share. Great Diamond Developments Limited was interested in 16.65% of the issued share capital of the Company as at the report date.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS IN SHARES *(Continued)*

Long position: *(Continued)*

Great Diamond Developments Limited is a company incorporated in the British Virgin Islands, whose ultimate beneficial owners are Mr. Wong Shu Yui (as to 35%), Ms. Chan Siu Ying (as to 25%), Mr. Wong Kai Kei (as to 20%) and Mr. Wong Yim (as to 20%).

Save as disclosed above, as at 30 June 2013, no other persons or corporations (other than the directors or the chief executive of the Company) had any interests or short positions in the Shares or the underlying Shares as recorded in the register required to be kept by the Company under Section 336 of the SFO.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained cash and bank balances of HK$249.0 million as at 30 June 2013 (31 December 2012: HK$408.5 million).

As at 30 June 2013, the Group had interest bearing bank loans totalling HK$456.2 million (31 December 2012: HK$582.9 million) and no contingent liabilities. As at the same date, the net debt divided by capital plus net debt of the Group was 23% (31 December 2012: 21.2%).

As at 30 June 2013, approximately 62% of the Group's cash was denominated in Renminbi. The exposure to the exchange fluctuation was minimal.

As at 30 June 2013, the current ratio (current assets/current liabilities) was 1.04 times (31 December 2012: 1.43) and the net current assets was HK$33.7 million (31 December 2012: HK$310.8 million).

The Group had entered into a three-year term loan facility agreement at an amount of HK$400,000,000 term loan on 20 October 2011 (the "Facility Agreement") with certain financial institutions.

Under the Facility Agreement, there is a specific performance obligation requiring that Mr. Tse Kam Pang, who is the controlling shareholder of the Company, shall maintain beneficial ownership in aggregate, directly or indirectly, of at least 30% of the voting rights in the Company, free from any security.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

Pursuant to the Facility Agreement, Mr. Tse Kam Pang shall also maintain control over the management and business of the Group. At the date of approval of these condensed consolidated interim financial statements, such obligations have been complied with.

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 30 June 2013 was approximately 3,836 (2012: 3,408). 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 should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive 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 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 has also appointed Mr. Zeng Lejin as chief operating officer and Mr. Francis Chang Chu Fai, as vice chairman, and 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 report has not been audited but has been reviewed by the audit committee of the Company. The audit committee has not undertaken independent audit checks.

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-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 2013.

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 2013.

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 2013 together with the comparative figures for the corresponding period in 2012. The interim results had been reviewed by the audit committee of the Company and approved by the Board.

CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30 June 2013

	Notes	**2013 HK$'000 (Unaudited)**	2012 HK$'000 (Unaudited)
REVENUE	4	**372,448**	498,290
Cost of sales		**(307,190)**	(347,520)
Gross profit		**65,258**	150,770
Other income and gains	4	**1,329**	571
Selling and distribution costs		**(105,268)**	(92,537)
Administrative expenses		**(33,769)**	(34,779)
Finance costs	6	**(10,705)**	(9,640)
Share of (loss)/profits of associates		**(2,933)**	1,156
(LOSS)/PROFIT BEFORE TAX	5	**(86,088)**	15,541
Tax	7	**–**	(2,398)
(LOSS)/PROFIT FOR THE PERIOD		**(86,088)**	13,143

CONDENSED CONSOLIDATED INCOME STATEMENT *(Continued)*

For the six months ended 30 June 2013

	Note	**2013 HK$'000 (Unaudited)**	2012 HK$'000 (Unaudited)
ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		**(90,344)**	9,907
NON-CONTROLLING INTEREST		**4,256**	3,236
		(86,088)	13,143
(LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY DURING THE PERIOD	9		
Basic		**(7.78) cents**	1.15 cents (restated)
Diluted		**(7.78) cents**	1.13 cents (restated)

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2013

	2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
(Loss)/profit for the period	**(86,088)**	13,143
Other comprehensive (loss)/income for the period:		
Exchange difference arising from translation of foreign operations	**8,903**	(5,706)
Available-for-sale assets:		
Changes in fair value	**(11)**	731
Total comprehensive (loss)/income for the period	**(77,196)**	8,168
Attributable to:		
Owners of the Company	**(82,141)**	4,932
Non-controlling interest	**4,945**	3,236
	(77,196)	8,168

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

30 June 2013

	Notes	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**1,273,964**	1,285,522
Prepaid land lease payments		**209,364**	211,862
Goodwill		**190,868**	190,868
Intangible assets		**911**	1,397
Interest in associates		**50,699**	53,370
Available-for-sales investments		**2,337**	8,137
Total non-current assets		**1,728,143**	1,751,156
CURRENT ASSETS			
Inventories		**360,908**	322,407
Trade receivables	10	**73,749**	91,683
Prepayments, deposits and other receivables		**160,579**	184,658
Pledged deposits		**–**	20,000
Cash and cash equivalents		**249,011**	408,471
Total current assets		**844,247**	1,027,219
CURRENT LIABILITIES			
Trade payables	11	**76,541**	76,791
Other payables and accruals		**191,223**	196,027
Interest-bearing bank loans		**437,555**	338,445
Tax payable		**105,190**	105,190
Total current liabilities		**810,509**	716,453
NET CURRENT ASSETS		**33,738**	310,766
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,761,881**	2,061,922

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Continued)

30 June 2013

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
NON-CURRENT LIABILITIES		
Interest-bearing bank loans	**18,611**	244,457
Deferred tax liabilities	**41,385**	41,385
Total non-current liabilities	**59,996**	285,842
Net assets	**1,701,885**	1,776,080
EQUITY		
Equity attributable to owners of the Company		
Issued capital	**116,138**	116,138
Reserves	**1,459,518**	1,538,658
Proposed dividend	**6,388**	6,388
	1,582,044	1,661,184
Non-controlling interests	**119,841**	114,896
Total equity	**1,701,885**	1,776,080

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month ended 30 June 2013

	Attributable to owners of the Company											
	Issued 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$'000	Retained profits HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2012	68,232	614,940	21,543	100,637	(2,410)	4,291	155,180	434,299	54,610	1,451,322	87,080	1,538,402
Profit for the period	–	–	–	–	–	–	–	9,907	–	9,907	3,236	13,143
Other comprehensive income for the period:												
Change in fair value of available-for-sale investment, net of tax	–	–	–	–	731	–	–	–	–	731	–	731
Exchange differences on transaction of foreign operation	–	–	–	–	–	–	(5,706)	–	–	(5,706)	–	(5,706)
Total comprehensive income for the period	–	–	–	–	731	–	(5,706)	9,907	–	4,932	3,236	8,168
Final 2011 dividend declared	–	–	–	–	–	–	–	(79)	(54,610)	(54,689)	–	(54,689)
Bonus issues	8,545	–	–	–	–	–	–	(8,545)	–	–	–	–
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	6,996	6,996
Equity settled share option expense	–	–	5,503	–	–	–	–	–	–	5,503	–	5,503
Share options exercised	130	780	(234)	–	–	–	–	–	–	676	–	676
At 30 June 2012	76,907	615,720	26,812	100,637	(1,679)	4,291	149,474	435,582	–	1,407,744	97,312	1,505,056

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six month ended 30 June 2013

	Attributable to owners of the Company											
	Issued 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$'000	Retained profits HK$'000	Proposed dividend HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1 January 2013	116,138	761,230*	1,312*	138,062*	(295)*	6,310*	164,361*	467,678*	6,388	1,661,184	114,896	1,776,080
Loss for the period	-	-	-	-	-	-	-	(90,344)	-	(90,344)	4,256	(86,088)
Other comprehensive loss for the period:												
Change in fair value of available-for-sale investment, net of tax	-	-	-	-	(10)	-	-	-	-	(10)	-	(10)
Exchange differences on transaction of foreign operation	-	-	-	-	-	-	8,214	-	-	8,214	689	8,903
Total comprehensive loss for the period	-	-	-	-	(10)	-	8,214	(90,344)	-	(82,140)	4,945	(77,195)
Equity settled share option expense	-	-	3,000	-	-	-	-	-	-	3,000	-	3,000
At 30 June 2013	116,138	761,230*	4,312*	138,062*	(305)*	6,310*	172,575*	377,334*	6,388	1,582,044	119,841	1,701,885

* There reserve accounts comprises the consolidated reserves of HK$1,459,518,000 (31 December 2012: HK$1,538,658,000) in the condensed consolidated statement of financial position.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2013

	2013 HK$'000 (Unaudited)	2012 HK$'000 (Unaudited)
Net cash flow used in operating activities	**(41,793)**	(131,990)
Net cash flow from/(used in) investing activities	**6,577**	(110,160)
Net cash flow (used in)/from financing activities	**(126,736)**	195,970
NET DECREASE IN CASH AND CASH EQUIVALENTS	**(161,952)**	(46,180)
Cash and cash equivalents at beginning of period	**408,471**	304,135
Effect of foreign exchange rate changes, net	**2,492**	3,426
CASH AND CASH EQUIVALENTS AT END OF PERIOD	**249,011**	261,381
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	**249,011**	261,381

NOTES TO FINANCIAL STATEMENTS

30 June 2013

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2013 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 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 2012.

The Company faces technical non-compliance of two covenants under the Facility Agreement. (For details, please refer to note 13(ii) of the Events After the Reporting Period) The Group has made the Lenders aware of the breach of covenants and is in the process of seeking for a short term waiver with the Lenders in relation to the technical breach of covenants pending upon refinancing, expected to be completed by the end of September 2013.

Having taking into account the current cash position and operations of the Group, the refinancing being conducted and alternative sources of financing, the board of the Company considers that there will not be any material adverse impact on the financial position of the Group should immediate repayment of the outstanding amounts together with interest thereon under the Facility Agreement be demanded by the Lenders.

Accordingly, the directors are of the opinion that it is appropriate to prepare these consolidated financial statements on a going concern basis.

2. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2012, except for the adoption of new standards and interpretations as of 1 January 2013, noted below:

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities*
HKFRS 10	*Consolidated Financial Statements*
HKFRS 11	*Joint Arrangements*
HKFRS 12	*Disclosure of Interests in Other Entities*
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – *Transition Guidance*
HKFRS 13	*Fair Value Measurement*
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income*
HKAS 19 (2011)	*Employee Benefits*
HKAS 27 (2011)	*Separate Financial Statements*
HKAS 28 (2011)	*Investments in Associates and Joint Ventures*
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*
Annual Improvements 2009-2011 Cycle	Amendments to a number of HKFRSs issued in June 2012

The adoption of the above new standards and interpretations has had no material effect on the accounting policies of the Group and the methods of computation in these condensed consolidated interim financial statements.

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 2012: 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	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Revenue		
Sales of goods	**372,448**	498,290
Other income and gains		
Bank interest income	**95**	251
Others	**1,234**	320
	1,329	571

5. LOSS/PROFIT BEFORE TAX

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

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Cost of goods sold	**307,190**	347,520
Depreciation of items of property, plant and equipment	**30,781**	31,767
Amortisation of intangible assets	**487**	485
Minimum lease payments under operating leases in respect of land and buildings	**43,235**	35,920

6. FINANCE COSTS

	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Interest on bank loans	**10,705**	9,640

7. 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	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
Current – PRC corporate income tax	**–**	2,398
Total tax charge for the period	**–**	2,398

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. Sinofull Macau 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 2013 (six months ended 30 June 2012: Nil).

9. LOSS/EARNINGS PER SHARE

The calculation of basic loss/earnings per share amounts is based on the loss/profit for the period attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,161,377,017 (six months ended 30 June 2012: 862,932,955) in issue as adjusted to reflect the bonus issue and the bonus element in open offer during the year ended 31 December 2012.

The calculation of diluted loss/earnings per share amount is based on the loss/profit from ordinary activities 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 loss/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.

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

	Six months ended 30 June	
	2013	2012
	HK$'000	HK$'000
	(Unaudited)	(Unaudited)
(Loss)/earnings		
(Loss)/profit attributable to ordinary equity holders of the Company, used in the basic and diluted earnings per share calculations	**(90,344)**	9,907

9. LOSS/EARNINGS PER SHARE *(Continued)*

	Number of shares Six months ended 30 June	
	2013 (Unaudited)	2012 (Unaudited) (restated)
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic loss/earnings per share calculations	**1,161,377,017**	862,932,955
Effect of dilution – weighted average number of ordinary shares:		
Share options	**–**	12,853,819
	1,161,377,017	875,786,774

The computation of diluted loss per share for the six months ended 30 June 2013 does not assume the conversion of the Company's outstanding share options as their effects would be anti-dilutive.

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 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Within 30 days	**27,977**	77,454
31 days to 90 days	**30,021**	11,240
91 days to 180 days	**15,751**	2,989
	73,749	91,683

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 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Within 30 days	**36,051**	40,490
31 days to 90 days	**35,486**	33,596
91 days to 180 days	**3,131**	596
181 days to 360 days	**1,308**	1,483
Over 360 days	**565**	626
	76,541	76,791

12. COMMITMENTS

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

	30 June 2013 HK$'000 (Unaudited)	31 December 2012 HK$'000 (Audited)
Approved, but not contracted for:		
The construction of land and buildings	**128,573**	128,573
The purchase of property, plant and machinery	**85,793**	98,712
	214,366	227,285

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

13. EVENTS AFTER THE REPORTING PERIOD

(i) On 2 August 2013, the Group placed 232 million shares at HK$0.339 raising HK$78.6 million.

(ii) The Company as borrower entered into a facility agreement ("Facility Agreement") relating to a HK$208,000,000 and US$24,700,000 dual currency term loan facility ("Loan Facility") with a group of financial institutions (the "Lenders"). Reference is made to the announcement of the Company dated 20 October 2011.

In accordance with the repayment schedule, the Loan Facility was paid down to HK$148,571,000 and US$17,643,000 by July 2013. The Company chose to prepay the Loan Facility by HK$72,800,000 and US$8,645,000 on 29 August 2013.

The Company originally intended to prepay the remaining balance on 29 August 2013 through refinancing from a PRC bank. However, the refinancing was unexpectedly delayed due to slow internal approval procedures of the PRC bank. As of 30 August 2013, the outstanding loans under Loan Facility amounted to HK$75,771,000 and US$8,998,000, respectively ("the Outstanding Loans Facility").

Based on the consolidated interim results of the Company for the six months ended 30 June 2013 and as the Outstanding Loan Facility was not prepaid as originally planned, the Company faces technical non-compliance of two covenants under the Facility Agreement. The Group has made the Lenders aware of the breach of covenants and is in the process of seeking for a short term waiver with the Lenders in relation to the technical breach of covenants pending the refinancing, expected to be completed by the end of September 2013.

COMPARATIVE AMOUNTS

During the current period, certain comparative amounts have been reclassified to conform with the current period's presentation.

By Order of the Board
Tse Kam Pang
Chairman

Hong Kong, 30 August 2013