# Hing Lee (HK) Holdings Limited
# 興利(香港)控股有限公司

(Incorporated in the British Virgin Islands and re-domiciled and continued in Bermuda with limited liability)

Stock code : 396

Annual Report 2009

# Contents

# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Sung Kai Hing
*(Chairman and Chief Executive Officer)*
Mr. Cheung Kong Cheung

### Non-executive Director

Mr. Fang Yan Zau, Alexander

### Independent non-executive Directors

Mr. Sun Jian
Ms. Shao Hanqing
Mr. Kong Hing Ki

## AUDIT COMMITTEE

Mr. Kong Hing Ki *(Chairman)*
Mr. Sun Jian
Ms. Shao Hanqing

## REMUNERATION COMMITTEE

Mr. Sun Jian *(Chairman)*
Ms. Shao Hanqing
Mr. Kong Hing Ki

## NOMINATION COMMITTEE

Ms. Shao Hanqing *(Chairman)*
Mr. Sung Kai Hing
Mr. Cheung Kong Cheung
Mr. Sun Jian
Mr. Kong Hing Ki

## COMPANY SECRETARIES

Mr. Wong Kit Wai, FHKICPA, ACIS
Ms. Kim Ling Cheung *(Assistant Secretary)*

## AUTHORISED REPRESENTATIVES

Mr. Sung Kai Hing
Mr. Wong Kit Wai

## PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1101, 11th Floor, Delta House
3 On Yiu Street, Shatin, New Territories
Hong Kong

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

## LEGAL ADVISERS

Sit, Fung, Kwong & Shum
JingTian & GongCheng
Conyers Dill & Pearman

## COMPLIANCE ADVISER

Shenyin Wanguo Capital (H.K.) Limited

## AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants

## HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group
(Bermuda) Limited

## STOCK CODE

396

## COMPANY WEBSITE

www.hingleehk.com.hk

# Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual results of Hing Lee (HK) Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2009 ("Year 2009").

Year 2009 was full of challenges and excitement and the Group experienced a challenging financial year. The adverse impacts of the global financial crisis started to spread in mid 2008. Overseas demand for consumer products was dampened and in turn demands for our products were also affected. As a result, the Group experienced a plunge in sales to overseas, whereas revenue from domestic sales in the People's Republic of China (the "PRC") remained stable as compared with the year ended 31 December 2008. Despite the challenging business environment, the Group recorded a profit in 2009 when the business environment was very challenging.

## PRC BUSINESS REMAINS SOLID

For the financial year 2009, the Group's net profit after tax was HK$19.6 million, a decrease of about 36.4% from last year.

Year 2009 was a challenging year for many corporations, which experienced unprecedented turbulence in the global economic crisis. For the Group, however, the sales of wooden furniture in the PRC market is well-shielded from the economic crisis, such PRC business remains solid.

During the year under review, the Group actively expanded its distribution network in the PRC market. We introduced renowned new series of products into the PRC market, and strived to provide more training to our staff and our distributors and promote our brands in various channels. With all of our efforts, we aim not only to develop business, but also to establish a strong platform for the future growth of the Group.

## NEW SHENZHEN PRODUCTION PLANT

To prepare ourselves for the huge market potential, in 2008, the Group laid the foundation for its new production plant in Shenzhen. The new production plant is equipped with advanced machines and equipments. It will increase the maximum annual production capacity of the Group to meet the demand in coming years. This laid a foundation for future development of the Group.

Equally important, the new production plant is embedded with more environmental management system. It helps the adoption of production processes which are not only cost effective, but also environmental friendly, and the production of products that can comply with stringent environmental standards.

# Chairman's Statement

## A NEW CHAPTER IN 2009

Year 2009 will be a year to remember by the Group and it is a milestone in the Group's history. On 22 June 2009, the Company obtained listing status on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Through hard work and the team spirit of our management and staff in the past decade, the Group's business continues to develop. We take great delight in the listing of the Company's shares on the Stock Exchange (the "Listing"). The Listing received favorable support from investors and has given the Group a platform to access capital for funding business growth in its next chapter of development.

The Group has used and will use the Listing proceeds in accordance with the plan disclosed in the prospectus of the Company dated 9 June 2009 and will continue to exercise prudence in cash management to use the amount of proceeds from the Listing. In addition, the Group will use its available banking facilities wisely to maximize shareholders' return.

## APPRECIATION

On behalf of the Board, I would like to express my heartfelt appreciation to the management team and all staff for their hard work and dedication in the past years.

Last but not least, I would like also to express my sincere gratitude to our shareholders, customers and business partners for their continuous support. I am confident that with the team effort, we will be able to deliver encouraging results in the years to come.

Yours faithfully

**Sung Kai Hing**
*Chairman and Chief Executive Officer*
Hong Kong, 26 March 2010

# Management Discussion and Analysis

## BUSINESS REVIEW

The global economic crisis, which has spread since mid 2008, has adversely affected the world economies and also resulted in a global credit tightening. With a deteriorating worldwide economy, demand for the Group's furniture products in the overseas market decreased and as a result, the export sales of the Group was decreased.

Despite the challenging business environment, year 2009 will be a year to remember by the Group as on 22 June 2009, the shares of the Company were successfully listed on the Main Board of the Stock Exchange.

## FINANCIAL REVIEW

### Turnover

For the year ended 31 December 2009, the Group's turnover decreased by approximately 17.8% from approximately HK$534.3 million in 2008 to approximately HK$439.4 million in 2009. The decrease in turnover during the period was primarily due to the decreases in export sales of approximately HK$91.1 million or 34.9%. The decrease in the export sales for the year under review was mainly due to the rapidly deteriorating consumer sentiment caused by the global financial crisis since the third quarter of 2008.

### Gross Profit

During the financial year under review, the Group's gross profit margin increased by 1.6 percentage point to 20.5% from 18.9% in 2008 as a result of the general decrease in the prices of major raw materials (such as MDF board, ironware, paint and sponge) and the costs of transportation when compared with year 2008. The Group continued to manage raw material costs, inventory levels and its sourcing networks so as to ensure that it has timely and stable supply of raw materials at competitive prices. The directors of the Company believe this would allow the Group more flexibility to adjust the product selling price, if necessary, in order to remain competitive.

### Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 16.6% from approximately HK$35.5 million in 2008 to approximately HK$41.4 million in 2009. It has been the strategy of the Group to increase brand recognition and enhance corporate profile through advertising and promotion, as a result, advertising expenses increased by about HK$3.3 million. In addition, the increase in selling and distribution expenses in year 2009 is resulting from lack of the reversal of the impairment for doubtful debts of approximately HK$1.5 million in 2008.

### Administrative Expenses

For the year ended 31 December 2009, the Group's administrative expenses were approximately HK$29.5 million against about HK$33.3 million for the year ended 31 December 2008, representing a decrease of about 11.4%. Such decrease was mainly attributable to the reduction in share-based payment expenses of about HK$2.2 million and the decrease in impairment of available-for-sale investments of about HK$2.7 million, offset partially by an increase in legal and professional fees of about HK$1.3 million.

# Management Discussion and Analysis

**Net Profit**

As a result of the foregoing, the Group's net profit attributable to equity shareholders of the Company decreased by approximately 38.8% from approximately HK$30.7 million in 2008 to approximately HK$18.8 million for the year ended 31 December 2009, and the net profit ratio decreased from 5.8% to 4.5%.

## EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2009, the Group employed approximately 1,100 employees (2008: approximately 1,200). Total staff cost, including Directors' emoluments, amounted to HK$49.9 million (2008: HK$49.7 million). Salaries are reviewed annually and discretionary bonuses are paid on annual basis with reference to individual performance appraisals, inflation and prevailing market condition. Other benefits available to eligible employees include retirement benefits and medical insurance schemes. Share options may also be granted to eligible employees of the Group and other eligible participants.

Apart from regular on-the-job training, the Group also engaged professional parties to provide training to its staff to ensure they can obtain updated job related knowledge and enhance the quality of work.

The relationship between the management and staff has been good. There have not been any labor disputes or work stoppages which have disrupted the operations of the Group during the year under review.

## LIQUIDITY AND FINANCIAL RESOURCES

All the Group's funding and treasury activities are currently managed and controlled by the senior management. There is no significant change in respect of treasury and financing policies from the information disclosed in the prospectus of the Company dated 9 June 2009 (the "Prospectus").

The Group maintained cash and bank balances of HK$86.8 million as at 31 December 2009 (31 December 2008: HK$88.2 million).

As at 31 December 2009, the Group has bank borrowings amounting to HK$59.4 million (31 December 2008: HK$43.8 million). As at the same date, the gearing ratio (total debt/total equity) was 0.57 (31 December 2008: 0.69).

As at 31 December 2009, the current ratio (current assets/current liabilities) was 2.1 times (31 December 2008: 2.0) and the net current assets amounted to HK$118.0 million (31 December 2008: HK$113.8 million).

On 22 June 2009, the shares of the Company were listed on the Main Board of the Stock Exchange by way of placing and public offer of 50,000,000 shares of HK$0.01 each at the offer price of HK$1.02 each. The net proceeds from the placing and public offer amounted to approximately HK$33 million.

# Management Discussion and Analysis

## SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities is set out in Note 13 to the financial statements of this annual report.

## FOREIGN CURRENCY RISK

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Renminbi and United States dollars. In order to reduce foreign exchange exposure arising from the export sales, the Group made a significant proportion of purchases in US dollars. Hence, the Group's foreign currency risk is considered to be minimal by the Directors. The Group does not hold or issue any derivative financial instruments for trading purposes or for hedging against fluctuations in foreign exchange rates, but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## CHARGE OF ASSETS

As at 31 December 2009, the Group had banking facilities which were secured by (i) a legal charge over a piece of land located in Longgang, Shenzhen ("Longgang Land"); (ii) a letter of undertaking provided by the Group to mortgage its factory premises currently being constructed on the Longgang Land upon the availability of ownership certificate; (iii) restricted bank deposits of approximately HK$4.5 million and (iv) corporate guarantees provided by the Company and a subsidiary of the Company.

## SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year under review, apart from the construction of the new production plant in Shenzhen, the Group did not have any significant investments, acquisitions or disposal of subsidiaries and associated companies. The Group will continue to seek opportunities to acquire or cooperate with customers and suppliers in order to generate more returns for our shareholders.

## CONTINGENT LIABILITIES

As at 31 December 2009, the Group and the Company had no significant contingent liabilities.

## PROSPECTS

The economic conditions and the market environment were very challenging in year 2009. The depressed global economic conditions affected the furniture industry adversely, which was evident by the drop of the Group's export sales. As a result, the Group placed more emphasis on its domestic market for the year 2009. With the massive economic stimulus package implemented by various countries, the global economy has been stabilized. The Directors are optimistic about the prospects of the domestic and overseas furniture markets in the long run.

In 2008, the Group laid the foundation for its new production plant in Shenzhen. The new production plant is equipped with advanced machines and equipments. The new production plant commenced its operations in the first quarter of 2010, and it will subsequently increase the maximum annual production capacity of the Group to meet the demand in coming years. With the operation of the new plant, the Group is taking steps to consolidate and restructure some of its operating units to fortify its foundation for future development so that the Group will be able to achieve enhanced cost effectiveness.

# Management Discussion and Analysis

In 2010, taking into account of possible changes in governmental policies, the Group will continue to implement its long-term development strategies. These include expending on employee relations activities for morale boosting, promoting our brands, expanding our sales network and further enhancing our design and development capability.

Looking ahead, the management believes that with its extensive sales network, solid research and development foundation as well as its enhanced manufacturing facilities, the Group is capable of meeting customers' different needs. Furthermore, the management will explore appropriate investing and acquisition opportunities. The Group is committed to becoming a leading home furniture provider who meets the needs of consumers and to bringing favorable returns to the shareholders of the Company. The management is optimistic about the Group's prospects in the foreseeable future.

## CORPORATE GOVERNANCE

The directors of the Company (the "Directors" and each a "Director") recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of shareholders and devote considerable effort to identifying and formalizing best practice.

The Company has complied with most of the code provisions set out in the Appendix 14 – Code on Corporate Governance Practices (the "Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") since the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 22 June 2009 (being the first date of listing) to 31 December 2009 (the "Period"), except for the deviation from the code provision A.2.1 of the Code as described below.

### Code provision A.2.1

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sung Kai Hing is the Chairman and Chief Executive Officer of the Company. The board of Directors (the "Board") believes that vesting the roles of Chairman and Chief Executive Officer in the same individual provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

## MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions since the listing of the shares of the Company on the Stock Exchange on 22 June 2009.

# Corporate Governance Report

## BOARD OF DIRECTORS

### Composition of the Board

The Board members of the Company currently are:

*Executive directors:*

Mr. Sung Kai Hing *(Chairman and Chief Executive Officer)*
Mr. Cheung Kong Cheung

*Non-executive director:*

Mr. Fang Yan Zau, Alexander

*Independent non-executive directors:*

Mr. Sun Jian
Ms. Shao Hanqing
Mr. Kong Hing Ki

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on Pages 16 to 20 in this Annual Report.

The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group.

The Company has complied with the requirements under Rule 3.10(1) and (2) of the Listing Rules during the Period. All independent non-executive directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

### Functions of the Board

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

## BOARD MEETINGS AND PROCEDURES

The Board met four times during the year ended 31 December 2009. The attendance record of each Director at these regular board meetings is set out in the following table:

| Directors | Board Meetings Held | Board Meetings Attended |
|---|---|---|
| Mr. Sung Kai Hing | 4 | 4 |
| Mr. Cheung Kong Cheung | 4 | 4 |
| Mr. Fang Yan Zau, Alexander | 4 | 4 |
| Mr. Sun Jian | 4 | 4 |
| Ms. Shao Hanqing | 3* | 3* |
| Mr. Kong Hing Ki | 3* | 3* |

* Ms. Shao and Mr. Kong were appointed as independent non-executive Directors on 29 May 2009. Three Board meeting had been held since 29 May 2009.

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with Code provision A.1.3 of the Code, at least 14 days' notice have been given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings were sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors were free to contribute and share their views at meetings and major decisions would only be taken after deliberation at Board meetings. Directors who were considered having conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution. Full minutes were prepared after the meetings and the draft minutes were sent to all Directors for their comment on the final version of which were endorsed in the subsequent Board meeting.

The non-executive Director and all independent non-executive Directors have been appointed for a fixed term. Every Director is subject to re-election on retirement by rotation in accordance with the bye-laws of the Company.

The Company has received from each of its independent non-executive Directors an annual confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and it still considers the independent non-executive Directors to be independent.

## BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, with written terms of reference to assist it in the efficient implementation of its functions. Specific responsibilities have been delegated to the above committees.

# Corporate Governance Report

## AUDIT COMMITTEE

The Company established the Audit Committee on 29 May 2009 with written terms of reference which are in compliance with the code provisions of the Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee currently has three members comprising Mr. Kong Hing Ki (Chairman), Mr. Sun Jian, and Ms. Shao Hanqing, all being independent non-executive Directors.

During the year under review, the Audit Committee had held 2 meetings for discussing and/or approving the interim results of the Group and for discussing the change of auditors and the internal control of the Group.

The attendance record of each member of the Audit Committee at these meetings is set out in the following table:

| **Directors** | **Meetings of the Audit Committee** | |
|---|---|---|
| | **Held** | **Attended** |
| Mr. Sun Jian | 2 | 2 |
| Ms. Shao Hanqing | 2 | 2 |
| Mr. Kong Hing Ki | 2 | 2 |

The Audit Committee has also reviewed the financial results of the Group for the year ended 31 December 2009.

## REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 29 May 2009 with written terms of reference which are in compliance with the code provisions of the Code. The Remuneration Committee shall make recommendations to the Board on, among other matters, the Company's policy and structure for the remuneration of all Directors and the senior management of the Group and are delegated by the Board the responsibility to determine on behalf of the Board the specific remuneration packages for all executive Directors and the senior management of the Group and make recommendations to the Board of the remuneration of the non-executive Directors. The Remuneration Committee consists of three members, namely, Mr. Sun Jian (Chairman), Ms. Shao Hanqing and Mr. Kong Hing Ki, all being independent non-executive Directors.

The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions. Any discretionary bonus is linked to the performance of the Group and of the individual Director.

The members of the Remuneration Committee did not hold any meeting during the year under review.

# Corporate Governance Report

Details of the remuneration of each Director for 2009 is set out in the Note 8 to the financial statements in this Annual Report. In addition, the Company has adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme") both on 29 May 2009. The purpose of the Pre-IPO Share Option Scheme is to grant new options to replace the options granted under a share option scheme previously adopted by the Company and to continue to give the participants of the Pre-IPO Share Option Scheme an opportunity to share in the success of the Group and to motivate the participants to optimize their performance and efficiency and also to retain participants whose contributions are important to the long-term growth and profitability of the Group. The purpose of the Share Option Scheme is to enable the Company to grant option to eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward and remunerate the eligible participants.

## NOMINATION COMMITTEE

The Company established the Nomination Committee on 29 May 2009 with written terms of reference which are in compliance with paragraph A.4.5 of the Code. The Nomination Committee shall make recommendations to the Board on appointment of Directors and succession planning for Directors. The Nomination Committee consists of five members, namely, Ms. Shao Hanqing (Chairman), Mr. Sung Kai Hing, Mr. Cheung Kong Cheung, Mr. Sun Jian and Mr. Kong Hing Ki.

During the year under review, the Nomination Committee did not hold any meeting as there was no new appointment and resignation of directors of the Company since its establishment.

## ACCOUNTABILITY AND AUDIT DIRECTORS' RESPONSIBILITY FOR THE ACCOUNTS

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries, in accordance with accounting principles generally accepted in Hong Kong.

The statement by the auditors of the Company about their responsibilities for the financial statements is set out in the report of the independent auditor's report contained in this Annual Report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

## EXTERNAL AUDITORS' REMUNERATION

The Company engaged Baker Tilly Hong Kong Limited ("Baker Tilly") as its external auditors for year ended 31 December 2009. Analysis of the remuneration in respect of audit is included in Note 6 to the financial statements in this Annual Report. No non-audit services have been provided by the external auditors during the year under review.

# Corporate Governance Report

## INTERNAL CONTROLS

The compliance and internal audit department, which is independent to the Company's daily operations and accounting functions, is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls.

The compliance and internal audit department also formulates the internal audit plan and procedures, conducts periodic independent reviews on the operations of individual divisions to identify any irregularities and risks, develops action plans and recommendations to address the identified risks, and reports to the management on any key findings and progress of the internal audit process.

The Audit Committee which comprises all the independent non-executive Directors who have the duties to, among other things, review the internal control systems and procedures for compliance with the relevant accounting, financial and Listing Rules requirements. The Audit Committee has adopted written terms of reference in compliance with the Code.

In addition, the executive Directors have attended external continuous training sessions relating to corporate governance to further enhance their knowledge on various on-going obligations and duties of a listed issuer and its directors under the Listing Rules and the Hong Kong Code on Takeovers and Mergers.

During the period under review, Baker Tilly carried out an assessment on the Company's internal control systems and procedures in relation to financial reporting, disclosure under the Listing Rules and the Companies Ordinance, and risk management. Baker Tilly advised that there is no material findings which has to be brought to the attention of the Board or the shareholders of the Company. After due and careful inquiries, the Audit Committee and the Board considered the policies and procedures of internal control and risk management system are effective and adequate and will conduct ongoing review on the effectiveness of the system. The Audit Committee also considered, after due and careful inquiries, that the Company has complied with the internal control system and the relevant accounting, financial and Listing Rules requirements.

## COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In order to keep shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the shareholders through financial reports and announcements. The Company has established its own corporate website www.hingleehk.com.hk to facilitate effective communication with its shareholders and the public. The Company will continue to enhance communications and relationships with its shareholders and investors.

# Corporate Governance Report

Shareholders, investors and interested parties can make enquiries to the Company through the following means:

| | |
|---|---|
| By e-mail: | kevinwong@hingleehk.com.hk |
| Telephone number: | (852) 2151-9600 |
| By post: | Unit 1101, 11/F Delta House<br>3 On Yiu Street<br>Shatin, N.T.<br>Hong Kong |
| Attention: | Public Relationship |

## SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, separate resolutions will be proposed at shareholders' meetings on each substantially separate issue, including the election of individual directors.

All resolutions put forward at a shareholders' meeting will be taken by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Stock Exchange and the Company after the shareholders' meeting.

## PUBLICATION OF AUDITED FINANCIAL RESULTS

The Company's financial results announcement for the financial year ended 31 December 2009 and this Annual Report are published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.hingleehk.com.hk.

# Biographical Details of Directors and Senior Management

## DIRECTORS AND SENIOR MANAGEMENT

### Executive Directors

**Mr. Sung Kai Hing (宋啟慶先生)**, aged 53, is an Executive Director, the Chairman and the Chief Executive Officer of the Company and one of the founders of the Group. Mr. Sung was appointed as a Director on 20 April 2004. He is primarily responsible for the overall strategic planning and business development of the Group as well as overseeing the daily operations of the Group. Besides, he is also a director of certain subsidiaries of the Company and a member of the Nomination Committee.

Prior to the establishment of the Group, Mr. Sung started the business of electronic products trading as a sole proprietor in the early 1980s. At the suggestion of and with the assistance from Mr. Cheung Kong Cheung, Mr. Sung started to engage in the trading of certain furniture products and in around mid-1980s, a partnership was established by Mr. Sung, Mr. Cheung Kong Cheung and Mr. Chan Kwok Kin for the trading of furniture products. In September 1993, Mr. Sung, Mr. Cheung Kong Cheung and Mr. Chan Kwok Kin established Dongguan Rich Furniture Company Limited ("Dongguan Rich") which marked the commencement of the business of the Group. Mr. Sung was a director of Dongguan Rich from September 1993 until its dissolution and a director of Shenzhen Dahao Xingli Furniture Industrial Company Limited ("Shenzhen Dahao") from December 1995 until its dissolution. Mr. Sung was a director of Omnicorp Limited, a company whose shares are listed on the Main Board, from June 2005 to January 2007. Mr. Sung has been appointed as a part-time instructor with specialisation in business operation, strategic planning and supply chain management at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as (Central South Forestry University)) since June 2004 and November 2004 respectively. Mr. Sung has over 15 years of experience in the furniture industry.

**Mr. Cheung Kong Cheung (張港璋先生)**, aged 48, is an Executive Director and one of the founders of the Group. Mr. Cheung was appointed as a Director on 20 April 2004. He is responsible for the administration and human resources management of the Group as well as overall management relating to the construction of the new production facilities of the Group in the PRC. Besides, he is also a director of certain subsidiaries of the Company and a member of the Nomination Committee. In around mid-1980s, Mr. Cheung, Mr. Sung Kai Hing and Mr. Chan Kwok Kin formed a partnership to carry on the business of trading of furniture products. In September 1993, Mr. Sung Kai Hing, Mr. Cheung and Mr. Chan Kwok Kin established Dongguan Rich which marked the commencement of the business of the Group. Mr. Cheung was a director of Dongguan Rich from September 1993 until its dissolution and a director of Shenzhen Dahao from December 1995 until its dissolution. Since 2005, he has been a director of Dongguan Super Furniture Company Limited ("Dongguan Super Furniture"). He has been appointed as a part-time instructor with specialisation in international trade and trading of home furniture at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as 中南林學院 (Central South Forestry University)) since June 2004 and November 2004 respectively. Mr. Cheung has over 15 years of experience in the furniture industry.

# Biographical Details of Directors and Senior Management

## Non-executive Director

**Mr. Fang Yan Zau, Alexander (方仁宙先生)**, aged 38, is a Non-Executive Director and was appointed as a Director on 28 July 2006. He has over 10 years of experience in business development. Mr. Fang was a director of Pandatel AG which is a listed public company at Frankfurt Stock Exchange and principally engaged in the provision of telecommunication related services, from January 2006 to 2009. Mr. Fang holds a master of business administration degree in general management from J. L. Kellogg School of Management, Northwestern University and a Bachelor of Science degree in accounting from University of Southern California. Mr. Fang is the son of Mr. Fang Shin who is the controlling shareholder of the Company.

## Independent non-executive Directors

**Mr. Sun Jian (孫堅先生)**, aged 45, was appointed as an Independent Non-Executive Director on 1 July 2007. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. He has over 10 years of experience in retail businesses and is a director and the chief executive officer of Home Inns & Hotel Management, Inc., a company which is principally engaged in the hotel industry with its shares listed on the National Association of Securities Dealers Automated Quotation System in the U.S.. Mr. Sun obtained a bachelor's degree in hygiene management from 上海醫科大學 (Shanghai Medical University) (subsequently renamed as 復旦大學上海醫學院 (Shanghai Medical College of Fudan University)) in July 1987. He is the vice president of 中國連鎖經營協會 (China Chain Store & Franchise Association).

**Ms. Shao Hanqing (邵漢青女士)**, aged 72, was appointed as an Independent Non-Executive Director on 29 May 2009. She is also the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. She is a part-time professor and a mentor to the doctorate candidates of the economics faculty of 中國人民大學 (Renmin University of China). Ms. Shao was a vice-chairlady of 中國人民政治協商會議廣東省深圳市委員會 (Shenzhen Committee of Chinese People's Political Consultative Conference) from April 1997 to May 2000 and was elected as a fellow in the World Academy of Productivity Science by World Confederation of Productivity Science in 2006. Ms. Shao was appointed as an independent director of 方大集團股份有限公司 (China Fangda Group Co., Ltd.), a company listed on 深圳證券交易所 (the Shenzhen Stock Exchange) with principal businesses in the development, design, manufacture and sale of construction materials as well as energy saving and environmental protection products from March 2001 to March 2002, April 2002 to April 2005, May 2005 to April 2007 and from June 2008 to present. She is the president of 深圳市安全生產與安全文化協會 (Shenzhen Work Safety and Safety Culture Council) which was established in July 2006 with the support from 深圳市安全生產監督管理局 (the Administration of Work Safety of Shenzhen Municipality) and深圳市民政局(the Home Department of the People's Government of Shenzhen Municipality), under the supervision of深圳市安全生產監督管理局 (Administration of Work Safety of Shenzhen Municipality). The purpose of 深圳市安全生產與安全文化協會 (the Shenzhen Work Safety and Safety Culture Council) is to improve awareness of safety issues, promote work safety and establish safety culture. Ms. Shao obtained a bachelor's degree of national economic planning from 中國人民大學 (Renmin University of China) in 1964.

# Biographical Details of Directors and Senior Management

**Mr. Kong Hing Ki (江興琪先生)**, aged 39, was appointed as an Independent Non-Executive Director on 29 May 2009. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. He has over 10 years of experience in accounting, auditing and finance, gained from international accountancy and commercial firms. Mr. Kong holds a bachelor's degree of commerce from Australian National University and a master of business administration degree from Deakin University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

## SENIOR MANAGEMENT

**Mr. Huang Wei Ye (黃偉業先生)**, aged 55, is one of the founders of the Group. He joined the Group in 1995 and is the head of the Group's design and development department, as well as the production department, and is responsible for overseeing the design, development and manufacture of the Group's furniture products. He is also a director of certain subsidiaries of the Company. Mr. Huang has over 20 years of experience in the furniture industry. Prior to joining the Group, he was the production manager of Shenzhen Dahao Furniture Industrial Company Limited which was principally engaged in the manufacture and sale of wood furniture and sofas ("Dahao Furniture") from 1989 to 1995. Mr. Huang was a director of Shenzhen Dahao from December 1995 until its dissolution. Mr. Huang is currently the Chairman of Shenzhen Furniture Trade Association. Mr. Huang has been appointed as a part-time instructor with specialisation in product design, production strategies and industry trend analysis at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as 中南林學院 (Central South Forestry University)) since 2003. He obtained a master of business administration degree from 北京大學 (Peking University) in July 2007.

**Mr. Chan Kwok Kin (陳國堅先生)**, aged 52, is one of the founders of the Group. Being the head of the sales and marketing department, as well as the procurement department of the Group, he is responsible for formulating the Group's sales and marketing strategies and procurement policies and overseeing the Group's sales and marketing activities. He is also a director of certain subsidiaries of the Company. Mr. Chan has over 15 years of experience in the furniture industry. Mr. Chan was a director of Dongguan Rich from September 1993 until its dissolution and, a director of Shenzhen Dahao from December 1995 until its dissolution and was responsible for sales and marketing activities. He was appointed as a part-time instructor with specialisation in sales and marketing strategies and brand development at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as 中南林學院 (Central South Forestry University)) since 2004.

**Mr. Wu Guo Long (吳國龍先生)**, aged 35, is the vice design and development manager of the Group. Since January 2008, he has been appointed as the general manager of Shenzhen Xingli Furniture Company Limited ("Shenzhen Xingli"). Mr. Wu joined the Group in 1996 after graduation from the university and has over 10 years of experience in the furniture industry. He obtained a bachelor's degree in interior and furniture design in 1996 from 中南林學院 (Central South Forestry University) (subsequently renamed as 中南林業科技大學 (Central South University of Forestry and Technology) in 2005).

# Biographical Details of Directors and Senior Management

**Mr. Li Xin Min (李新民先生)**, aged 39, is the production manager of the Group and the head of the production department of the Group's factories in the PRC. He is responsible for overseeing the production operations at all the Group's factories in the PRC. Mr. Li joined the Group in 1997 and has over 10 years of experience in furniture industry. He obtained a diploma in interior and furniture design in June 1998 from 中南林學院 (Central South University of Forestry and Technology) (subsequently renamed as 中南林業科技大學 (Central South University of Forestry and Technology) in 2005).

**Ms. Wang Xie Zhi (王謝之女士)**, aged 33, is the chief officer of the management division of the Group, and is responsible for the human resources and administrative affairs of the Group. She has over 10 years of experience in human resources management. Ms. Wang joined the Group in October 2003. She obtained a diploma in accounting from 江西財經大學 (Jiangxi University of Finance & Economics) in 1999.

**Ms. Bian Juan (卞娟女士)**, aged 32, is the procurement manager of the Group, and is responsible for overall procurement activities of the Group. She obtained her bachelor's degree in interior and furniture design in June 2000 from 南京林業大學 (Nanjing Forestry University). Ms. Bian furthered her study at 南京林業大學 (Nanjing Forestry University) from September 2000 to June 2003 and obtained her master of engineering degree with specialty in wood science and technology in July 2003. After obtaining her master's degree, Ms. Bian joined the Group in July 2003.

**Mr. Huang Jia Guo (黃家國先生)**, aged 36, is the sales manager for the modern furniture series of the Group, and is responsible for the overall sales and marketing activities of modern furniture products. Mr. Huang joined the Group in 1997. He obtained a diploma in Chinese language from 湖南大學 (Hunan University) in June 1994.

**Ms. Bo Lin (薄琳女士)**, aged 45, is the sales manager for the classic furniture series of the Group, and is responsible for the overall sales and marketing activities of classic furniture products. Ms. Bo joined the Group in 1997 and has over 10 years of experience in sales and marketing of furniture products in the PRC. She obtained a bachelor's degree in industrial electric automation from 遼寧廣播電視大學 (Liaoning Radio and TV University) in July 1989.

**Mr. Pu Cai Jun (蒲采君先生)**, aged 47, is the financial controller of the Group. He is responsible for all financial and accounting matters in respect of the PRC subsidiaries of the Group. Mr. Pu joined the Group in 2002 and has over 10 years of experience in financial controlling. He was the finance manager of Dahao Furniture during the period from 1985 to 2002. He obtained a bachelor's degree in accounting from 湖南財經學院 (Hunan Finance and Economics Institute) in July 1991.

# Biographical Details of Directors and Senior Management

## CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

**Mr. Wong Kit Wai (黃杰偉先生)**, aged 40, is the chief financial officer and the company secretary of the Group. He is responsible for supervising the Group's financial management and overseeing the company secretarial and compliance affairs of the Group. Mr. Wong joined the Group in January 2007 as a full-time employee and has over 9 years of experience in accounting and finance. Prior to joining the Group, Mr. Wong was the chief financial officer of Royale Furniture Holdings Limited, whose issued shares are listed on the Main Board, during the period from December 2004 to December 2006. He obtained a master of business administration degree from Deakin University, Australia in September 2003 and a bachelor of commerce degree from The University of New South Wales in June 1996. He has been a fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia since January 2007 and June 1999 respectively. Besides, Mr. Wong has also been an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators, the United Kingdom since October 2006.

# Directors' Report

The board (the "Board") of directors (the "Directors") of the Company are pleased to present to the shareholders this annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2009.

## GENERAL INFORMATION

The Company was incorporated in the British Virgin Islands ("BVI") on 20 April 2004 and was re-domiciled and continued in Bermuda with limited liability on 30 March 2007. The registered office address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Further details of the Group are set out in the prospectus of the Company dated 9 June 2009.

The shares of the Company were first listed on the Main Board of the Stock Exchange on 22 June 2009 (the "Listing Date") by way of placing and public offer of an aggregate of 50,000,000 ordinary shares of the Company of HK$0.01 each (the "Shares") at a final offer price of HK$1.02 per Share.

## PRINCIPAL PLACE OF BUSINESS

The principal place of business of the Company is located at Unit 1101, 11th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong.

## PRINCIPAL ACTIVITIES

The principal business activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture and mattresses and licensing of its own brands and product designs.

## RESULTS

The results of the Group for the year ended 31 December 2009 are set out in the consolidated income statement on page 35 of this annual report.

## DIVIDENDS

Interim dividend of HK1.05 cents (30 June 2008: HK2.65 cents) per Share was declared and paid during the year. The Board recommend the payment of a final dividend of HK1.40 cents per Share (2008: Nil) to the shareholders whose names appear on the Register of Members of the Company as at the close of business on 2 June 2010. The final dividend will be payable on 9 June 2010 and is subject to the approval of shareholders of the Company in the forthcoming annual general meeting.

## CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 31 May 2010 to 2 June 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 28 May 2010.

# Directors' Report

## USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 22 June 2009. As set out in the Prospectus, the Company intended to use the proceeds from the initial public offering as follows:

| **Use of proceeds** | **Available to utilize** | **Utilized** |
|---|---|---|
| | HK$ million | HK$ million |
| Marketing and promotion | 5 | 2 |
| Strengthening design and development capabilities and expanding product range | 5 | 4 |
| Acquiring new production equipment | 10 | 10 |
| Partial repayment of the banking facilities | 13 | 13 |

The Group has utilized most of the proceeds from the initial public offering as of 31 December 2009 as set out above. Any net proceeds that were not applied immediately have been temporarily placed in the short-term deposits with financial institutions.

## FIXED ASSETS

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2009 are set out in Note 14 to the financial statements in this annual report.

## SHARE CAPITAL

Details of the Company's paid up capital for the year ended 31 December 2009 are set out in Note 28 to the financial statements in this annual report.

**PRE-IPO SHARE OPTION SCHEME**

On 22 December 2006, the Company adopted a share option scheme (the "2006 Scheme") under which options to subscribe for shares of the Company had been granted to certain Directors or employees of the Group, all of which were cancelled and replaced by options granted under the Pre-IPO Share Option Scheme. The purpose of the Pre-IPO Share Option Scheme is to grant new options to replace the options granted under the 2006 Scheme and to continue to give the participants of the Pre-IPO Share Option Scheme an opportunity to share in the success of the Group and to motivate the participants to optimize their performance and efficiency and also to retain participants whose contributions are important to the long-term growth and profitability of the Group. The principal terms of the Pre-IPO Share Option Scheme, approved by the written resolutions of the shareholders on 29 May 2009, are substantially the same as the terms of the Share Option Scheme except that:

(a) the subscription price for Shares under the Pre-IPO Share Option Scheme is at HK$1.0647 per Share;

(b) the total number of Shares which may be issued upon the exercise of all options granted under the Pre-IPO Share Option Scheme is 14,986,695 Shares, representing approximately 7.49% of the total issued share capital of the Company immediately following completion of the placing and public offer and the capitalisation issue of the Shares but excluding the issue and allotment of Shares upon the exercise of the options which were granted under the Pre-IPO Share Option Scheme and which may be granted under any other schemes of the Company;

(c) save for options which have been granted, no further options will be offered or granted as the Pre-IPO Share Option Scheme shall end on the day immediately prior to the Listing Date; and

(d) the Company by ordinary resolution in general meeting or the Board may at any time terminate the operation of the Pre-IPO Share Option Scheme and in such event, no further option shall be offered but the provisions of the Pre-IPO Share Option Scheme shall remain in full force and effect in all other respects in respect of any options granted thereto but not yet exercised at the time of termination.

The vesting period of the options granted under the Pre-IPO Share Option Scheme is determined by reference to the outstanding vesting period of the replaced options granted under the 2006 Scheme, but no option granted under the Pre-IPO Share Option Scheme will be exercisable within the first six months after the Listing Date. Details of the vesting period and expiry date of the options granted under the Pre-IPO Share Option Scheme are set out in the Prospectus.

# Directors' Report

As at date of this annual report, options for the subscription of 14,986,695 Shares have been granted to certain Directors and employees of the Group under the Pre-IPO Share Option Scheme. Details of the share options movements during the year ended 31 December 2009 under the Pre-IPO Share Option Scheme are as follows:

| | Number of share options | | | | | | |
|---|---|---|---|---|---|---|---|
| Name | Outstanding share options granted under the Pre-IPO Share Option Scheme as at 1 January 2009 | Date of grant | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding share options granted under the Pre-IPO Share Option Scheme as at 31 December 2009 | Exercise period |
| **Directors of the Company** | | | | | | | |
| Mr. Sung Kai Hing | – | 29 May 2009 | 1,498,670 | – | – | 1,498,670 | 23/12/2009 – 30/12/2016 |
| Mr. Cheung Kong Cheung | – | 29 May 2009 | 1,498,670 | – | – | 1,498,670 | 23/12/2009 – 30/12/2016 |
| Mr. Sun Jian | – | 29 May 2009 | 374,667 | – | – | 374,667 | 23/12/2009 – 19/6/2017 |
| | | | 187,334 | – | – | 187,334 | 20/6/2010 – 19/6/2017 |
| | | | 187,334 | – | – | 187,334 | 20/6/2011 – 19/6/2017 |
| **Other employees** | | | | | | | |
| In aggregate | – | 29 May 2009 | 9,741,350 | – | – | 9,741,350 | 23/12/2009 – 30/12/2016 |
| | | | 374,667 | – | – | 374,667 | 23/12/2009 – 19/6/2017 |
| | | | 374,668 | – | – | 374,668 | 31/12/2009 – 30/12/2016 |
| | | | 374,667 | – | – | 374,667 | 31/12/2010 – 30/12/2016 |
| | | | 187,334 | – | – | 187,334 | 20/6/2010 – 19/6/2017 |
| | | | 187,334 | – | – | 187,334 | 20/6/2011 – 19/6/2017 |
| Total | | | 14,986,695 | – | – | 14,986,695 | |

*Note:* The closing price before the date of grant is not available as the Shares were first listed on the Stock Exchange on 22 June 2009.

## SHARE OPTION SCHEME

The Company adopted a Share Option Scheme (the "Share Option Scheme") by a written resolution of the shareholders on 29 May 2009. The purpose of the Share Option Scheme is to enable the Company to grant options to full-time or part-time employees, directors, consultants, advisers, distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any of its subsidiaries (the "Eligible Participants") as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants.

Details of the principal terms of the Share Option Scheme are set out in the Prospectus. Certain principal terms of the Share Option Scheme are summarized as follows:

The Share Option Scheme was adopted for a period of 10 years commencing from 29 May 2009 and will remain in force until 28 May 2019, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme. The Company may by ordinary resolution in general meeting or the Board may at any time terminate the Share Option Scheme without prejudice to the exercise of options granted prior to such termination.

The subscription price for Shares in respect of any particular option granted under the Share Option Scheme shall be such price as the Board shall determine, provided that such price shall be at least the highest of (i) the closing price per Share on the Main Board as stated in the Stock Exchange's daily quotation sheet on the date of offer of the option, which must be a business day; and (ii) the average closing price per Share on Main Board as stated in the Stock Exchange's daily quotation sheets for the five (5) business days immediately preceding the date of offer of the option; and (iii) the nominal value of a Share. Subject to such terms and conditions as the Board may determine in its absolute discretion, there is no general requirement on the minimum period for which an option must be held before an option can be exercised under the Share Option Scheme.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (excluding the share options granted under the Pre-IPO Share Option Scheme) must not, in aggregate, exceed 10% of the issued share capital of the Company as at the Listing Date, such 10% being equivalent to 20,000,000 Shares (representing 10% of the issued share capital of the Company as at the date of this report).

As at the date of this report, no share option has been granted or agreed to be granted by the Company under the Share Option Scheme.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

# Directors' Report

## PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

The shares of the Company were first listed on the Main Board of the Stock Exchange on 22 June 2009. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after listing.

## RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 28 to the financial statements in this annual report.

## DISTRIBUTABLE RESERVES

As at 31 December 2009, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda, amounted to HK$119.4 million of which HK$2.8 million has been proposed as a final dividend for the year.

## MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 29.6% of the total sales for the year and sales to the largest customer included therein amounted to 9.7%. Purchases from the Group's five largest suppliers accounted for approximately 35.9% of the total purchase for the year and purchase from the Group's largest supplier included therein amounted to 12.0%.

None of the Directors or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

## DIRECTORS

The Directors of the Company since the Listing Date are:

### Executive directors:

Mr. Sung Kai Hing *(Chairman and Chief Executive Officer)* (appointed on 20 April 2004)
Mr. Cheung Kong Cheung (appointed on 20 April 2004)

### Non-executive director:

Mr. Fang Yan Zau, Alexander (appointed on 28 July 2006)

### Independent non-executive directors:

Mr. Sun Jian (appointed on 1 July 2007)
Ms. Shao Hanqing (appointed on 29 May 2009)
Mr. Kong Hing Ki (appointed on 29 May 2009)

# Directors' Report

Pursuant to bye-law 83 of the bye-laws of the Company, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his appointment and any Director appointed by the Board as an additional Director shall hold office only until the next following annual general meeting of the Company.

Pursuant to bye-law 84 of the bye-laws of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation.

By virtue of bye-laws 83 and 84 of the bye-laws of the Company, the office of certain Directors, namely Mr. Sung Kai Hing, Mr. Cheung Kong Cheung, Ms. Shao Hanqing and Mr. Kong Hing Ki will end at the forthcoming annual general meeting. All of the above Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years with effect from the Listing Date and thereafter be continuous unless and until terminated by not less than three months' prior notice in writing served by either party on the other or by payment of three months' fixed salary in lieu of such notice.

Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a period of two years commencing from the Listing Date.

Apart from the foregoing, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company has received from each of the independent non-executive Directors, namely, Mr. Sun Jian, Ms. Shao Hanqing and Mr. Kong Hing Ki, an annual confirmation of independence pursuant to Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange and the Company considered them to be independent.

## BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 16 to 20 in this annual report.

## INTERESTS OF DIRECTORS IN CONTRACTS

During the year ended 31 December 2009, none of the Directors had a material interest, whether directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries or affiliates was a party.

## DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors or any of their respective associates had any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

# Directors' Report

**DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 31 December 2009, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be entered into the register required to be kept under section 352 of the SFO or otherwise were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and/or the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

**(i) Long positions in shares of HK$0.01 each of the Company ("Shares")**

| Name of Director/ chief executive | Nature of interests | Number of Shares | Approximate percentage of the issued share capital of the Company |
|---|---|---|---|
| Mr. Sung Kai Hing *(note 1)* | Interest of a controlled corporation | 18,280,155 | 9.14% |
| Mr. Cheung Kong Cheung *(note 2)* | Interest of a controlled corporation | 18,280,155 | 9.14% |

*Notes:*

1. The Shares were held by King Right Holdings Limited ("King Right"), a company beneficially wholly-owned by Mr. Sung Kai Hing, who is also the sole director of King Right. By virtue of the SFO, Mr. Sung Kai Hing is deemed to be interested in the same parcel of Shares in which King Right is interested.

2. The Shares were held by United Sino Limited ("United Sino"), a company beneficially wholly- owned by Mr. Cheung Kong Cheung, who is also the sole director of United Sino. By virtue of the SFO, Mr. Cheung Kong Cheung is deemed to be interested in the same parcel of Shares in which United Sino is interested.

**(ii) Rights to acquire shares or debentures**

As at 31 December 2009, details of the share options granted by the Company to the Directors were as follows:

| Name of Director | Date of grant | Exercise price | Exercise period | Number of granted during the period | Share options exercised during the period | Outstanding as at 31 December 2009 |
|---|---|---|---|---|---|---|
| Mr. Sung Kai Hing | 29 May 2009 | HK$1.0647 | 23 December 2009 to 30 December 2016 | 1,498,670 | – | 1,498,670 |
| Mr. Cheung Kong Cheung | 29 May 2009 | HK$1.0647 | 23 December 2009 to to 30 December 2016 | 1,498,670 | – | 1,498,670 |
| Mr. Sun Jian | 29 May 2009 | HK$1.0647 | 23 December 2009 to 19 June 2017 | 374,667 | – | 374,667 |
| | | | 20 June 2010 to 19 June 2017 | 187,334 | – | 187,334 |
| | | | 20 June 2011 to 19 June 2017 | 187,334 | – | 187,334 |
| | | | | 3,746,675 | – | 3,746,675 |

*Note:* The Company's shares were first listed on the Main Board of the Stock Exchange on 22 June 2009. The offer price of the Shares under the initial public offering is HK$1.02 per Share.

Save as disclosed above, as at 31 December 2009, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares and debentures of the Company and its associate corporations (within the meaning of Part XV of the SFO), which were required to be entered into the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

# Directors' Report

## SUBSTANTIAL SHAREHOLDERS

As at 31 December 2009, the persons (not being a Director or chief executive of the Company) who have interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

### Long positions in Shares of HK$0.01 each

| Name | Capacity | Number of Shares | Approximate percentage of shareholding % | Note |
|---|---|---|---|---|
| Triple Express Enterprises Limited ("Triple Express") | Beneficial owner | 77,964,104 | 38.98 | 1 |
| Mr. Fang Shin | Interest of a controlled corporation | 77,964,104 | 38.98 | 1 |
| Mrs. Fang Chang Rose Jean | Family interests | 77,964,104 | 38.98 | 1 |
| King Right Holdings Limited ("King Right") | Beneficial owner | 18,280,155 | 9.14 | 2 |
| Ms. Wong Wai King | Family interests | 18,280,155 | 9.14 | 2 |
| United Sino Limited ("United Sino") | Beneficial owner | 18,280,155 | 9.14 | 3 |
| Ms. Li Xin | Family interests | 18,280,155 | 9.14 | 3 |
| Golden Sunday Limited | Beneficial owner | 18,280,155 | 9.14 | 4 |
| Mr. Chan Kwok Kin | Interest of a controlled corporation | 18,280,155 | 9.14 | 4 |
| Ms. Ho Fung Ying | Family interests | 18,280,155 | 9.14 | 4 |
| Top Right Trading Limited | Beneficial owner | 17,195,431 | 8.60 | 5 |
| Mr. Huang Wei Ye | Interest of a controlled corporation | 17,195,431 | 8.60 | 5 |
| Ms. Ye Jian Qun | Family interests | 17,195,431 | 8.60 | 5 |

*Notes:*

1. Triple Express is a company beneficially wholly-owned by Mr. Fang Shin. By virtue of the SFO, Mr. Fang Shin is deemed to be interested in the same parcel of Shares in which Triple Express is interested. Mrs. Fang Chang Rose Jean is the spouse of Mr. Fang Shin and is deemed to be interested in the same parcel of Shares in which Mr. Fang Shin is interested by virtue of the SFO.

2. King Right is a company beneficially wholly-owned by Mr. Sung Kai Hing, who is also the sole director of King Right. Ms. Wong Wai King is the spouse of Mr. Sung Kai Hing and is deemed to be interested in the same parcel of Shares in which Mr. Sung Kai Hing is interested by virtue of the SFO.

3. United Sino is a company beneficially wholly-owned by Mr. Cheung Kong Cheung, who is also the sole director of United Sino. Ms. Li Xin is the spouse of Mr. Cheung Kong Cheung and is deemed to be interested in the same parcel of Shares in which Mr. Cheung is interested by virtue of the SFO.

4. Golden Sunday Limited ("Golden Sunday") is a company beneficially wholly-owned by Mr. Chan Kwok Kin. By virtue of the SFO, Mr. Chan is deemed to be interested in the same parcel of Shares in which Golden Sunday is interested. Ms. Ho Fung Ying is the spouse of Mr. Chan and is deemed to be interested in the same parcel of Shares in which Mr. Chan is interested by virtue of the SFO.

5. Top Right Trading Limited ("Top Right") is a company beneficially wholly-owned by Mr. Huang Wei Ye. By virtue of the SFO, Mr. Huang Wei Ye is deemed to be interested in the same parcel of Shares in which Top Right is interested. Ms. Ye Jian Qun is the spouse of Mr. Huang Wei Ye and is deemed to be interested in the same parcel of Shares in which Mr. Huang is interested by virtue of the SFO.

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### Post balance sheet events

There are no significant events subsequent to 31 December 2009 which would materially affect the Group's and the Company's operating and financial performance as of the date of this annual report.

### Corporate Governance

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 9 to 15 of this annual report.

### Sufficiency of Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as at the date of this annual report as required under the Listing Rules.

### AUDITORS

Moore Stephens acted as auditors of the Company up to and including the years ended 31 December 2007 and 2008. Moore Stephens resigned on 29 October 2009 and Baker Tilly Hong Kong Limited ("Baker Tilly") was appointed as the auditors of the Company on 2 November 2009. The consolidated financial statements of the Group for the financial year ended 31 December 2009 have been audited by Baker Tilly.

Baker Tilly shall hold office until the conclusion of the forthcoming annual general meeting. Baker Tilly, being eligible, will offer themselves for reappointment. A resolution for reappointment of Baker Tilly as auditors of the Company is to be proposed at the forthcoming annual general meeting.

# Directors' Report

## APPRECIATION

On behalf of the Board, we would like to express my sincere gratitude to our shareholders, customers and business partners for their continuous supports. Our thanks also go to all staff members of the Group for their contributions and commitment to the continuous success of the Group.

By Order of the Board of
**Hing Lee (HK) Holdings Limited**
**Sung Kai Hing**
*Chairman and Chief Executive Officer*
Hong Kong, 26 March 2010

# Independent Auditor's Report

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
香港天華會計師事務所有限公司

12/F., China Merchants Tower, Shun Tak Centre,
168-200 Connaught Road Central, Hong Kong
香港干諾道中168-200號
信德中心招商局大廈12樓

**Independent auditor's report to the shareholders of**
**Hing Lee (HK) Holdings Limited**

(Incorporated in the British Virgin Islands and re-domiciled and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of Hing Lee (HK) Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") set out on pages 35 to 109, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

## Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

## Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. This report is made solely to you, as a body, in accordance with Section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

# Independent Auditor's Report

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Baker Tilly Hong Kong Limited**
*Certified Public Accountants*
Hong Kong, 26 March 2010
**Lo Wing See**
Practising certificate number P04607

# Consolidated Income Statement

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

| | Note | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| **Turnover** | 4 | **439,358** | 534,346 |
| Cost of sales | | **(349,071)** | (433,344) |
| **Gross profit** | | **90,287** | 101,002 |
| Other income | 5 | **3,123** | 1,989 |
| Selling and distribution expenses | | **(41,351)** | (35,533) |
| Administrative expenses | | **(29,451)** | (33,348) |
| **Profit from operating activities** | | **22,608** | 34,110 |
| Finance costs | 6(a) | **(623)** | (70) |
| **Profit before taxation** | 6 | **21,985** | 34,040 |
| Income tax | 7 | **(2,360)** | (3,251) |
| **Profit for the year** | | **19,625** | 30,789 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **18,760** | 30,746 |
| Minority interests | | **865** | 43 |
| **Profit for the year** | | **19,625** | 30,789 |
| **Earnings per share (HK cents)** | 12 | | |
| – Basic | | **10.63** | 20.5 |
| – Diluted | | **10.54** | 20.5 |

The notes on pages 43 to 109 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 28(b).

# Consolidated Statement of Comprehensive Income

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

| | Note | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|---|
| **Profit for the year** | | **19,625** | 30,789 |
| **Other comprehensive income for the year** | 11 | | |
| Exchange differences on translation of financial statements of overseas subsidiaries | | **271** | 9,153 |
| Changes in fair value of available-for-sale investments recognised during the year | | **3,604** | – |
| | | **3,875** | 9,153 |
| **Total comprehensive income for the year** | | **23,500** | 39,942 |
| **Attributable to:** | | | |
| Equity shareholders of the Company | | **22,628** | 39,663 |
| Minority interests | | **872** | 279 |
| **Total comprehensive income for the year** | | **23,500** | 39,942 |

The notes on pages 43 to 109 form part of these financial statements.

# Consolidated Balance Sheet

as at 31 December 2009
(Expressed in Hong Kong dollars)

| | Note | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Fixed assets | 14 | **132,012** | 74,438 |
| Prepaid lease payments | 15 | **47,906** | 48,857 |
| Available-for-sale investments | 17 | **8,262** | 4,648 |
| | | **188,180** | 127,943 |
| **Current assets** | | | |
| Prepaid lease payments | 15 | **1,030** | 1,029 |
| Inventories | 18 | **68,662** | 67,447 |
| Trade debtors and bills receivable | 19 | **27,661** | 34,562 |
| Prepayments, deposits and other receivables | | **27,207** | 24,041 |
| Restricted bank deposits | 20 | **14,188** | 9,929 |
| Cash and cash equivalents | 21 | **86,773** | 88,208 |
| | | **225,521** | 225,216 |
| **Current liabilities** | | | |
| Trade payables | 22 | **48,052** | 61,221 |
| Other payables and accrued charges | | **41,715** | 34,188 |
| Current portion of secured bank loans | 23 | **16,850** | 11,441 |
| Amount due to a related company | 24 | **–** | 749 |
| Current taxation | 25 | **949** | 3,834 |
| | | **107,566** | 111,433 |
| **Net current assets** | | **117,955** | 113,783 |
| **Total assets less current liabilities** | | **306,135** | 241,726 |
| **Non-current liabilities** | | | |
| Non-current portion of secured bank loans | 23 | **42,518** | 32,372 |
| **NET ASSETS** | | **263,617** | 209,354 |

# Consolidated Balance Sheet (continued)

as at 31 December 2009
(Expressed in Hong Kong dollars)

| | Note | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **CAPITAL AND RESERVES** | 28 | | |
| Share capital | | **2,000** | 387 |
| Reserves | | **256,400** | 204,622 |
| **Total equity attributable to equity shareholders of the Company** | | **258,400** | 205,009 |
| Minority interests | | **5,217** | 4,345 |
| **TOTAL EQUITY** | | **263,617** | 209,354 |

Approved and authorised for issue by the board of directors on 26 March 2010.

**Sung Kai Hing**
*Director*

**Cheung Kong Cheung**
*Director*

The notes on pages 43 to 109 form part of these financial statements.

# Balance Sheet

as at 31 December 2009
(Expressed in Hong Kong dollars)

| | Note | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Investments in subsidiaries | 16 | **156** | 156 |
| **Current assets** | | | |
| Prepayments, deposits and other receivables | | **265** | 8,505 |
| Dividend receivable from a subsidiary | 16 | **61,175** | 13,475 |
| Amounts due from subsidiaries | 16 | **60,741** | 39,913 |
| Cash and cash equivalents | 21 | **17,386** | 70 |
| | | **139,567** | 61,963 |
| **Current liabilities** | | | |
| Other payables and accrued charges | | **696** | 657 |
| Amounts due to subsidiaries | 16 | **12,063** | 9,658 |
| | | **12,759** | 10,315 |
| **Net current assets** | | **126,808** | 51,648 |
| **NET ASSETS** | | **126,964** | 51,804 |
| **CAPITAL AND RESERVES** | 28 | | |
| Share capital | | **2,000** | 387 |
| Reserves | | **124,964** | 51,417 |
| **TOTAL EQUITY** | | **126,964** | 51,804 |

Approved and authorised for issue by the board of directors on 26 March 2010.

**Sung Kai Hing**
*Director*

**Cheung Kong Cheung**
*Director*

The notes on pages 43 to 109 form part of these financial statements.

# Consolidated Statement of Changes in Equity

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

| | | Attributable to equity shareholders of the Company | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Share capital (note 28(c)) | Share premium (note 28(d)(i)) | Exchange reserve (note 28(d)(ii)) | Statutory reserve fund (note 28(d)(iii)) | Merger reserve (note 28(d)(iv)) | Share option reserve (note 28(d)(v)) | Fair value reserve (note 28(d)(vi)) | Retained profits | Total | Minority interests | Total equity |
| | Notes | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 | HK$'000 |
| **Balance at 1 January 2008** | | 387 | 44,350 | 11,636 | 3,647 | 25,430 | 2,477 | – | 78,757 | 166,684 | 4,066 | 170,750 |
| **Changes in equity for 2008:** | | | | | | | | | | | | |
| Equity-settled share-based transactions | | – | – | – | – | – | 2,633 | – | – | 2,633 | – | 2,633 |
| Transfer of reserve | | – | – | – | 2,103 | – | – | – | (2,103) | – | – | – |
| Dividends declared in respect of the current year | 28(b) | – | – | – | – | – | – | – | (3,971) | (3,971) | – | (3,971) |
| Total comprehensive income for the year | | – | – | 8,917 | – | – | – | – | 30,746 | 39,663 | 279 | 39,942 |
| **Balance at 31 December 2008 and 1 January 2009** | | 387 | 44,350 | 20,553 | 5,750 | 25,430 | 5,110 | – | 103,429 | 205,009 | 4,345 | 209,354 |
| **Changes in equity for 2009:** | | | | | | | | | | | | |
| Equity-settled share-based transactions | | – | – | – | – | – | 466 | – | – | 466 | – | 466 |
| Capitalisation issue | | 1,113 | (1,113) | – | – | – | – | – | – | – | – | – |
| Shares issued upon placing and public offer | | 500 | 31,897 | – | – | – | – | – | – | 32,397 | – | 32,397 |
| Transfer of reserve | | – | – | – | 1,324 | – | – | – | (1,324) | – | – | – |
| Dividend declared in respect of the current year | 28(b) | – | – | – | – | – | – | – | (2,100) | (2,100) | – | (2,100) |
| Total comprehensive income for the year | | – | – | 264 | – | – | – | 3,604 | 18,760 | 22,628 | 872 | 23,500 |
| **Balance at 31 December 2009** | | 2,000 | 75,134 | 20,817 | 7,074 | 25,430 | 5,576 | 3,604 | 118,765 | 258,400 | 5,217 | 263,617 |

The notes on pages 43 to 109 form part of these financial statements.

# Consolidated Cash Flow Statement

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

| | Note | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **Operating activities** | | | |
| Profit before taxation | | **21,985** | 34,040 |
| Adjustments for: | | | |
| Interest income | 5 | **(101)** | (373) |
| Interest expense | 6(a) | **623** | 70 |
| Dividend income from equity investments | 5 | **(121)** | (360) |
| Gain on disposal of equity investments at fair value through profit or loss | 6(c) | **–** | (797) |
| Depreciation | 6(c) | **5,162** | 5,628 |
| Change in fair value of equity investments at fair value through profit or loss | 6(c) | **–** | 974 |
| Impairment of available-for-sale investments | 6(c) | **–** | 2,714 |
| Amortisation of prepaid lease payments | 6(c) | **1,030** | 1,028 |
| Loss on disposal of fixed assets | 6(c) | **–** | 47 |
| Impairment of trade receivables recognised/(reversed) | 6(c) | **2,266** | (1,509) |
| Impairment of inventories | 6(c) | **3,095** | 2,165 |
| Equity-settled share-based payment expenses | | **466** | 2,633 |
| **Operating profit before changes in working capital** | | **34,405** | 46,260 |
| Increase in inventories | | **(4,200)** | (12,639) |
| Decrease in trade debtors and bills receivable | | **4,663** | 5,867 |
| (Increase)/decrease in prepayments, deposits and other receivables | | **(2,542)** | 8,718 |
| Decrease in trade payables | | **(13,251)** | (6,117) |
| Increase in other payables and accrued charges | | **6,884** | 8,785 |
| (Decrease)/increase in amount due to a related company | | **(749)** | 749 |
| **Cash generated from operations** | | **25,210** | 51,623 |
| Interest received | | **101** | 373 |
| Interest paid | | **(4,112)** | (2,349) |
| Hong Kong Profits Tax paid | | **(2,803)** | – |
| PRC Enterprises Income Tax paid | | **(2,444)** | (2,750) |
| **Net cash generated from operating activities** | | **15,952** | 46,897 |

# Consolidated Cash Flow Statement (continued)

for the year ended 31 December 2009
(Expressed in Hong Kong dollars)

| | Note | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|---|
| **Investing activities** | | | |
| Decrease in time deposit | | – | 2,680 |
| Increase in restricted bank deposits | | (4,243) | (9,929) |
| Dividends received from equity investments at fair value through profit or loss | | – | 360 |
| Dividends received from available-for-sale investments | | 121 | – |
| Purchase of fixed assets | | (59,126) | (50,521) |
| Purchase of equity investments at fair value through profit or loss | | – | (39,809) |
| Purchase of available-for-sale investments | | (10) | – |
| Increase in prepaid lease payments | | – | (718) |
| Proceeds from disposal of fixed assets | | – | 692 |
| Proceeds from disposal of equity investments at fair value through profit or loss | | – | 32,270 |
| **Net cash used in investing activities** | | (63,258) | (64,975) |
| **Financing activities** | | | |
| Proceeds from placing and public offer | | 32,397 | – |
| Proceeds from new secured bank loans | | 28,394 | 45,357 |
| Repayment of secured bank loans | | (12,909) | (1,544) |
| Dividends paid | | (2,100) | (3,971) |
| Repayment of advance from independent third party for prepaid lease payments | | – | (23,580) |
| **Net cash generated from financing activities** | | 45,782 | 16,262 |
| **Net decrease in cash and cash equivalents** | | (1,524) | (1,816) |
| **Cash and cash equivalents at beginning of the year** | 21 | 88,208 | 85,192 |
| Effect of foreign exchange rate changes | | 89 | 4,832 |
| **Cash and cash equivalents at end of the year** | 21 | 86,773 | 88,208 |

The notes on pages 43 to 109 form part of these financial statements.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 1 COMPANY INFORMATION

Hing Lee (HK) Holdings Limited (the "Company") was incorporated in the British Virgin Islands ("BVI") on 20 April 2004 and re-domiciled in Bermuda on 30 March 2007. The registered office of the company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Unit 1101, 11th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong.

The Company has its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are set out in note 16 to the financial statements.

These financial statements are presented in Hong Kong dollars ("HK$"), unless otherwise indicated, which is also the functional currency of the Group.

## 2 SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual 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. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group and the Company is set out below.

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group and the Company for the current and prior accounting periods reflected in these financial statements.

### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the "Group").

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial instruments classified as available-for-sale investments are stated at their fair value as explained in the accounting policy set out in note 2(d).

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Basis of preparation of the financial statements (continued)

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 34.

### (c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity shareholders of the Company.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (c) Subsidiaries and minority interests (continued)

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see note 2(g)).

### (d) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in note 2(q)(iv) and (iii).

Dated debt securities that the Group and/or the Company have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see note 2(g)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see note 2(g)).

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Other investments in debt and equity securities (continued)

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in note 2(q)(iv) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in note 2(q)(iii). When these investments are derecognised or impaired (see note 2(g)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

### (e) Fixed assets

Items of fixed assets, other than construction in progress, are stated in the balance sheet at cost less accumulated depreciation and impairment losses (see note 2(g)).

Fixed assets in the course of construction are carried at cost less impairment losses (see note 2(g)). The cost of self-constructed items of fixed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads and borrowing costs (see note 2(s)).

Gains or losses arising from the retirement or disposal of an item of fixed asset are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

Depreciation is calculated to write off the cost or valuation of items of fixed assets, less their estimated residual value, if any, using the straight line method over their estimated useful lives. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Leasehold improvements | 20% or over the lease terms, whichever is shorter |
| Motor vehicles | 18% – 20% |
| Office equipment | 10% – 20% |
| Plant and machinery | 9% – 18% |

Where parts of an item of fixed assets have different useful lives, the cost or valuation of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

*(i) Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

*(ii) Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(g). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

*(iii) Operating lease charges*

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property or is held for development for sale.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Impairment of assets

*(i) Impairment of investments in debt and equity securities and other receivables*

Impairment in debt and equity securities (other than investments in subsidiaries: see note 2(g)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Impairment of assets (continued)

*(i) Impairment of investments in debt and equity securities and other receivables (continued)*

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (g) Impairment of assets (continued)

*(ii) Impairment of other assets*

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets (other than properties carried at revalued amounts);

– pre-paid interests in leasehold and classified as being held under an operating lease; and

– investments in subsidiaries (except for those classified as held for sale (or included in a disposal group that is classified as held for sale)).

If any such indication exists, the asset's recoverable amount is estimated.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(g) Impairment of assets (continued)**

*(ii) Impairment of other assets (continued)*

– Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

**(h) Trademarks and patents**

All costs associated with the development and registration of trademarks and patents are charged to profit or loss in the period when such expenditure is incurred.

**(i) Inventories**

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

**(j) Trade and other receivables**

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see note 2(g)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

### (l) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(p)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

### (m) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

### (n) Employee benefits

*(i) Short term employee benefits and contributions to defined contribution retirement plans*

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

*(ii) Share-based payments*

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binominal lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (n) Employee benefits (continued)

*(ii) Share-based payments (continued)*

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

*(iii) Termination benefits*

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

### (o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reserve in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (o) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

### (p) Financial guarantees issued, provisions and contingent liabilities

*(i) Financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (p) Financial guarantees issued, provisions and contingent liabilities (continued)

*(i) Financial guarantees issued (continued)*

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with note 2(p)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

*(ii) Other provisions and contingent liabilities*

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

*(i) Sale of goods*

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

*(ii) Licensing income*

Licensing income is recognised when the right to receive payment is established.

**2 SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(q) Revenue recognition (continued)**

*(iii) Interest income*

Interest income is recognised as it accrues using the effective interest method.

*(iv) Dividends*

– Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

– Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

*(v) Rental income from operating leases*

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

**(r) Translation of foreign currencies**

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance sheet date. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transactions dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Balance sheet items are translated into Hong Kong dollars at the closing foreign exchange rates at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (s) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### (t) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

## 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

### (u) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

## 3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's and the Company's financial statements:

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKFRS 2, Share-based payment – vesting conditions and cancellations

Except for HKAS1 (revised 2007) as described below, the adoption of these new and revised HKFRSs have no impact on the Group's or the Company's financial statements.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 3 CHANGES IN ACCOUNTING POLICIES (continued)

As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

## 4 TURNOVER

The principal activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture and mattresses and licensing of its own brands and product designs.

Turnover represents the sale value of goods supplied to customers and licensing income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Turnover | | |
| Sale of goods | **428,747** | 515,399 |
| Licensing income | **10,611** | 18,947 |
| | **439,358** | 534,346 |

## 5 OTHER INCOME

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Bank interest income | **101** | 373 |
| Dividend income | **121** | 360 |
| Gain on disposal of equity investments at fair value through profit or loss | **–** | 797 |
| Overprovision of tax penalty | **2,417** | – |
| Others | **484** | 459 |
| | **3,123** | 1,989 |

## 6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

### (a) Finance costs

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Interest on secured bank loans repayable within 5 years | **4,112** | 2,279 |
| Interest on short-term borrowing | **–** | 70 |
| Total borrowing costs | **4,112** | 2,349 |
| Less: interest capitalised (i) | **(3,489)** | (2,279) |
| | **623** | 70 |

(i) Interest has been capitalised to construction in progress at an average annual rate of 7.92% (2008: 9.12%) during the year.

### (b) Staff costs

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Directors' remuneration (note 8) | **3,319** | 5,448 |
| Wages and salaries | **43,597** | 39,597 |
| Equity-settled share-based payment expenses | **299** | 1,382 |
| Retirement scheme contributions | **2,705** | 3,239 |
| | **49,920** | 49,666 |

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 6 PROFIT BEFORE TAXATION (continued)

### (c) Other items:

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Auditor's remuneration | 800 | 1,200 |
| Amortisation of prepaid lease payments | 1,030 | 1,028 |
| Bad debts written off | 501 | – |
| Change in fair value of equity investments at fair value through profit or loss | – | 974 |
| Cost of inventories sold (i) | 349,071 | 433,344 |
| Depreciation | 5,162 | 5,628 |
| Exchange loss, net | 397 | 394 |
| Gain on disposal of equity investments at fair value through profit or loss | – | (797) |
| Impairment of inventories | 3,095 | 2,165 |
| Impairment of available-for-sale investments | – | 2,714 |
| Impairment of trade receivables recognised/(reversed) | 2,266 | (1,509) |
| Loss on disposal of fixed assets | – | 47 |
| Operating lease rentals: minimum lease payments – land and buildings | 8,927 | 8,976 |

(i) Cost of inventories sold includes HK$45,268,000 (2008: HK$42,974,000) relating to staff costs, depreciation and amortisation expenses, operating lease charges and impairment for inventories, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

## 7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| Current year provision | | |
| – Hong Kong Profits Tax | – | 174 |
| – PRC Enterprise Income Tax | 2,159 | 3,112 |
| Prior year underprovision/(overprovision) | | |
| – Hong Kong Profits Tax | (1) | (31) |
| – PRC Enterprise Income Tax | 202 | (4) |
| | 2,360 | 3,251 |

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

Reconciliation between tax expense and accounting profit at applicable tax rate:

| | 2009<br>HK$'000 | 2008<br>HK$'000 |
|---|---|---|
| Profit before taxation | **21,985** | 34,040 |
| Notional tax on profit before taxation | **3,628** | 5,617 |
| Tax effect of non-deductible expenses (v) | **2,199** | 2,447 |
| Tax effect of non-taxable income (vi) | **(3,274)** | (3,780) |
| Tax effect of different tax rates of subsidiaries operating in the PRC | **(761)** | (1,031) |
| Tax effect of unrecognised temporary differences | **37** | 45 |
| Tax effect of utilisation of tax losses not recognised previously | **(162)** | (171) |
| Tax effect of unused tax losses not recognised | **467** | – |
| Prior year underprovision/(overprovision) | **201** | (35) |
| Others | **25** | 159 |
| Actual tax expense | **2,360** | 3,251 |

(i) Pursuant to the income tax rules and regulations, the Group is not subject to income tax in Bermuda and the BVI.

(ii) The provision for Hong Kong Profits Tax for 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the year.

(iii) Hing Lee Ideas Limited is subject to Company Income Tax in Malaysia. No provision for 2009 (2008: Nil) is made as it has been dormant since its incorporation.

(iv) Prior to 1 January 2008, Dongguan Super Furniture Company Limited ("Dongguan Super Furniture") was subject to Enterprise Income Tax ("EIT") in the PRC with a preferential EIT rate of 24% under 《中華人民共和國外商投資企業和外國企業所得税法》 (the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises) promulgated by 《全國人民代表大會》(the National People's Congress). Dongguan Super Furniture was also approved to be entitled to EIT full exemption for two years from its first profit making year and a 50% reduction for the following three years in accordance with 《東莞市外商投資企業和外國企業所得税減免審批表》(the Dongguan Municipal Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprise) issued by 廣東省東莞市國家税務局 (the Dongguan Municipal Office of the State Administration of Taxation), which in the opinion of Zhong Xin Law Firm Shanghai Branch, the PRC legal advisers of the Group, is an appropriate competent authority for granting the tax exemption to Dongguan Super Furniture under its jurisdiction in accordance with the provisions under relevant laws and regulations in the PRC.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(iv) (continued)

Prior to 1 January 2008, Shenzhen Xingli Furniture Company Limited ("Shenzhen Xingli") and Shenzhen Xingli Zundian Furniture Company Limited ("Shenzhen Xingli Zundian") were subject to EIT in the PRC with a preferential EIT rate of 15% under 《深圳市人民政府關於寶安、龍崗兩個市轄區有關稅收政策問題的通知》(the notice of Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises in Baoan and Longgan) issued by 深圳市人民政府 (the People's Government of Shenzhen). Shenzhen Xingli and Shenzhen Xingli Zundian were also approved to be entitled to EIT full exemption for two years from its first profit making year and a 50% reduction for the following three years by 深圳市龍崗區國稅局 (the Shenzhen Municipal Office of State Administration of Taxation in Longgang district).

With the New Enterprise Income Tax Law (the "New EIT Law") becoming effective on 1 January 2008, all enterprises in the PRC are subject to a standard enterprise income tax rate of 25%.

However, there is a transitional period for enterprises which are currently entitled to preferential tax treatments granted by relevant tax authorities. In accordance with 《國務院關於實施企業所得稅過渡優惠政策的通知》(the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy) issued on 26 December 2007:

(a) from 1 January 2008, for enterprises that enjoy a preferential tax rate of 15%, the tax rate will be transitioned to 25% over five years at rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012; and

(b) from 1 January 2008, the enterprises that originally enjoyed the preference of regular tax reduction and exemption, will continue to enjoy the original preference in accordance with the preferential measures and terms stipulated by the original tax law, administrative regulations and relevant documents until the expiration of the preference.

Dongguan Super Furniture was incorporated in October 2005 and did not generate any assessable profit in 2005 and therefore it was not required to pay any PRC EIT for the year of 2005. Dongguan Super Furniture was entitled to full exemption from the PRC EIT in 2006 and 2007, being its first two profitable years, and a 50% tax reduction of the PRC EIT rate of 25% in 2008 under the New EIT Law till 2010.

Shenzhen Xingli was exempted from the PRC EIT for its first two profitable years, commencing from 1 January 2003, and thereafter was entitled to a 50% tax reduction in the PRC EIT rate of 15% for the subsequent three consecutive years from 1 January 2005 to 31 December 2007. Shenzhen Xingli was subject to the PRC enterprise income tax rate of 20% in 2009 (2008: 18%).

**7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)**

(iv) (continued)

(b) (continued)

Shenzhen Xingli Zundian was exempted from the PRC EIT for its first two profitable years, commencing from 1 January 2005, and thereafter was entitled to a 50% tax reduction in the PRC EIT for the subsequent three consecutive years from 1 January 2007 onwards. Under the New EIT Law, Shenzhen Xingli Zundian was entitled to a 50% reduction of the PRC EIT rate of 20% for 2009 (2008: 18%).

(v) It mainly represents the tax effect of impairment of trade and other receivables and inventories of the Group's PRC subsidiaries and certain expenses incurred by Great Ample Holdings Limited and the Company.

(vi) It mainly represents the tax effect of licensing income earned by Sharp Motion Worldwide Limited. The licensing fees payable by the licensees to the Group were subject to 10% withholding tax in the PRC. However, it is a term of the licence agreements that the licensing fees receivable by the Group should be net of any tax and the licensees are responsible to pay any tax imposed on the licensing fees payable by the licensees to the Group. As such, the licensing fees as agreed between the Group and the licensees were on a net-of-tax basis and the licensees were responsible to pay the relevant withholding tax separately to the tax authorities at their own costs.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance and the Listing Rules is as follows:

**2009**

| Name of director | Directors' fees HK$'000 | Salaries HK$'000 | Retirement scheme contributions HK$'000 | Sub-total HK$'000 | Share-based payments HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| *Chairman* | | | | | | |
| Sung Kai Hing | - | 1,002 | 12 | 1,014 | - | 1,014 |
| *Executive directors* | | | | | | |
| Cheung Kong Cheung | - | 1,002 | 12 | 1,014 | - | 1,014 |
| Chan Kwok Kin | - | 455 | 6 | 461 | - | 461 |
| Huang Wei Ye | - | 402 | 9 | 411 | - | 411 |
| Fang Yan Zau, Alexander | - | 59 | - | 59 | - | 59 |
| Fang Shin | - | - | - | - | - | - |
| Li Sui Lin, Alice | - | - | - | - | - | - |
| *Independent non-executive directors* | | | | | | |
| Sun Jian | 75 | - | - | 75 | 167 | 242 |
| Kong Hing Ki | 59 | - | - | 59 | - | 59 |
| Shao Hanqing | 59 | - | - | 59 | - | 59 |
| | 193 | 2,920 | 39 | 3,152 | 167 | 3,319 |

2008

| Name of director | Directors' fees HK$'000 | Salaries HK$'000 | Retirement scheme contributions HK$'000 | Sub-total HK$'000 | Share-based payments HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| *Executive directors* | | | | | | |
| Sung Kai Hing | – | 1,002 | 12 | 1,014 | 271 | 1,285 |
| Cheung Kong Cheung | – | 1,002 | 12 | 1,014 | 271 | 1,285 |
| Chan Kwok Kin | – | 1,002 | 12 | 1,014 | 271 | 1,285 |
| Huang Wei Ye | – | 1,102 | 13 | 1,115 | 271 | 1,386 |
| Fang Shin | – | – | – | – | – | – |
| Fang Yan Zau, Alexander | – | – | – | – | – | – |
| Li Sui Lin, Alice | – | – | – | – | – | – |
| *Independent non-executive director* | | | | | | |
| Sun Jian | 40 | – | – | 40 | 167 | 207 |
| | 40 | 4,108 | 49 | 4,197 | 1,251 | 5,448 |

## 8 DIRECTORS' REMUNERATION (continued)

(i) Share-based payments represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policy for share-based payment transactions as set out in note 2(n).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the Directors' Report and note 27.

(ii) Mr. Chan Kwok Kin, Mr. Huang Wei Ye, Mr. Fang Shin and Ms. Li Sui Lin, Alice resigned on 29 May 2009.

(iii) Mr. Kong Hing Ki and Ms. Shao Hanqing were appointed on 29 May 2009.

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group as compensation for loss of office during the year.

## 9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2008: four) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three* (2008: one) individual are as follows:

| | **2009 HK$'000** | 2008 HK$'000 |
|---|---|---|
| Salaries and other emoluments | **2,979** | 745 |
| Retirement scheme contributions | **44** | 12 |
| Share-based payments | **299** | 299 |
| | **3,322** | 1,056 |

The emoluments of the three* (2008: one) individual with the highest emoluments are within the following bands:

| | **2009 Number of individuals** | 2008 Number of individuals |
|---|---|---|
| HK$1,000,001 to HK$1,500,000 | **3** | 1 |

* Included were two former directors who resigned as directors of the Company during the year but remain as members of senior management.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a profit of HK$44,397,000 (2008: a loss of HK$2,019,000), which has been dealt with in the financial statements of the Company.

## 11 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are as follows:

| | **2009** | | | 2008 | | |
|---|---|---|---|---|---|---|
| | **Before tax amount HK$'000** | **Tax expense HK$'000** | **Net-of- tax amount HK$'000** | Before tax amount HK$'000 | Tax expense HK$'000 | Net-of– tax amount HK$'000 |
| Exchange differences on translation of financial statements of overseas subsidiaries | **271** | **-** | **271** | 9,153 | – | 9,153 |
| Changes in fair value of available-for-sale investments recognised during the year | **3,604** | **-** | **3,604** | – | – | – |
| Other comprehensive income | **3,875** | **-** | **3,875** | 9,153 | – | 9,153 |

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 12 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$18,760,000 (2008: HK$30,746,000) and the weighted average number of ordinary shares of the Company in issue during the year ended 31 December 2009 of 176,438,356 (2008: 150,000,000 ordinary shares). The weighted average number of shares of the Company in issue during the year ended 31 December 2009 and 2008 respectively is calculated on the assumption that a total of 150,000,000 ordinary shares of the Company to be in issue immediately following the completion of the capitalisation issue as described in the Company's prospectus dated 9 June 2009 ("Capitalisation Issue") were outstanding throughout the entire two years.

| | **2009 Number of shares** | 2008 Number of shares |
|---|---|---|
| Shares issued upon capitalisation | **150,000,000** | 150,000,000 |
| Effect of shares issued under placing and public offering ("Share Offer") on 22 June 2009 | **26,438,356** | – |
| Weighted average number of ordinary shares at 31 December | **176,438,356** | 150,000,000 |

### (b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$18,760,000 and the weighted average number of ordinary shares (diluted) of 178,036,618 shares, calculated as follows:

| | **2009 Number of shares** | 2008 Number of shares |
|---|---|---|
| Weighted average number of ordinary shares at 31 December | **176,438,356** | 150,000,000 |
| Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 27) | **1,598,262** | – |
| Weighted average number of ordinary shares (diluted) at 31 December | **178,036,618** | 150,000,000 |

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 13 SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services offered. Two reportable operating segments were identified as follows:

| | |
|---|---|
| Home furniture: | Design, manufacture, sale and marketing of home furniture and bed mattresses |
| Branded distribution: | Licensing of own brand names |

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

However, Group financing (including interest revenue and expenses) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

## 13 SEGMENT REPORTING (continued)

### (a) Segment results, assets and liabilities

Information regarding the Group's reportable segments for the years ended 31 December 2009 and 2008 is set out below:

| | 2009 | | | | 2008 | | | |
|---|---|---|---|---|---|---|---|---|
| | Home furniture HK$'000 | Branded distribution HK$'000 | Unallocated HK$'000 | Consolidated HK$'000 | Home furniture HK$'000 | Branded distribution HK$'000 | Unallocated HK$'000 | Consolidated HK$'000 |
| Revenue from external customers | 428,747 | 10,611 | - | 439,358 | 515,399 | 18,947 | – | 534,346 |
| Interest income | - | - | 101 | 101 | – | – | 373 | 373 |
| Interest expense | - | - | 623 | 623 | – | – | 70 | 70 |
| Depreciation and amortisation | 6,192 | - | - | 6,192 | 6,656 | – | – | 6,656 |
| Reportable segment profit | 14,663 | 10,589 | - | 25,252 | 20,496 | 19,604 | – | 40,100 |
| Other material non-cash items: | | | | | | | | |
| Impairment of trade receivables recognised/(reversed) | 2,266 | - | - | 2,266 | (819) | (690) | – | (1,509) |
| Impairment of inventories | 3,095 | - | - | 3,095 | 2,165 | – | – | 2,165 |
| Reportable segment assets | 377,421 | 5,369 | 30,911 | 413,701 | 327,854 | 10,641 | 14,664 | 353,159 |
| Expenditures for non-current assets | 62,615 | - | - | 62,615 | 53,518 | – | – | 53,518 |
| Reportable segment liabilities | 148,181 | 16 | 1,887 | 150,084 | 136,637 | 16 | 7,152 | 143,805 |

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 13 SEGMENT REPORTING (continued)

### (b) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

| | 2009 HK$'000 | 2008 HK$'000 |
|---|---|---|
| **Revenues** | | |
| Reportable segment revenue – Consolidated turnover | **439,358** | 534,346 |
| **Profit or loss** | | |
| Reportable segment profit | **25,252** | 40,100 |
| Other income | **3,123** | 1,989 |
| Unallocated amounts: | | |
| Interest expense | **(623)** | (70) |
| Other head office and corporate expenses | **(5,767)** | (7,979) |
| Consolidated profit before taxation | **21,985** | 34,040 |
| **Assets** | | |
| Total assets for reportable segments | **382,790** | 338,495 |
| Available-for-sale investments * | **8,262** | 4,648 |
| Unallocated head office and corporate assets | **22,649** | 10,016 |
| Consolidated total assets | **413,701** | 353,159 |
| **Liabilities** | | |
| Total liabilities for reportable segments | **148,197** | 136,653 |
| Current tax liabilities | **949** | 3,834 |
| Unallocated head office and corporate liabilities | **938** | 3,318 |
| Consolidated total liabilities | **150,084** | 143,805 |

* Segment assets do not include available-for-sale investments as these assets are managed on a group basis.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 13 SEGMENT REPORTING (continued)

### (c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets and prepaid lease payments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets.

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Revenues from external customers HK$'000** | **Specified non-current assets HK$'000** | Revenues from external customers HK$'000 | Specified non-current assets HK$'000 |
| Asia (excluding the People's Republic of China ("PRC")) | **112,066** | **1,143** | 176,896 | 1,477 |
| Europe | **24,901** | **–** | 35,370 | – |
| PRC | **269,193** | **178,775** | 273,034 | 121,818 |
| Others | **33,198** | **–** | 49,046 | – |
| | **439,358** | **179,918** | 534,346 | 123,295 |

Asia mainly covers Japan, Taiwan, Middle East and Southeast Asia; Europe mainly covers Sweden, Italy, Spain and Germany; and others mainly cover the United States, Canada, Angola and Ivory Coast.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 14 FIXED ASSETS

The Group

| | Leasehold improvements HK$'000 | Motor vehicles HK$'000 | Office equipment HK$'000 | Plant and machinery HK$'000 | Construction in progress HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **Cost** | | | | | | |
| At 1 January 2008 | 2,474 | 4,534 | 2,450 | 38,288 | – | 47,746 |
| Exchange realignment | 121 | 106 | 95 | 1,802 | – | 2,124 |
| Additions | 566 | 126 | 414 | 2,626 | 49,068 | 52,800 |
| Disposals | – | (380) | (19) | (983) | – | (1,382) |
| At 31 December 2008 | 3,161 | 4,386 | 2,940 | 41,733 | 49,068 | 101,288 |
| At 1 January 2009 | 3,161 | 4,386 | 2,940 | 41,733 | 49,068 | 101,288 |
| Exchange realignment | 4 | 3 | 3 | 55 | 79 | 144 |
| Additions | – | 710 | 1,058 | 11,866 | 48,981 | 62,615 |
| At 31 December 2009 | 3,165 | 5,099 | 4,001 | 53,654 | 98,128 | 164,047 |
| **Accumulated depreciation** | | | | | | |
| At 1 January 2008 | 1,529 | 1,821 | 1,511 | 16,453 | – | 21,314 |
| Exchange realignment | 83 | 25 | 45 | 398 | – | 551 |
| Charge for the year | 629 | 1,016 | 371 | 3,612 | – | 5,628 |
| Written back on disposals | – | (278) | (14) | (351) | – | (643) |
| At 31 December 2008 | 2,241 | 2,584 | 1,913 | 20,112 | – | 26,850 |
| At 1 January 2009 | 2,241 | 2,584 | 1,913 | 20,112 | – | 26,850 |
| Exchange realignment | 3 | 1 | 2 | 17 | – | 23 |
| Charge for the year | 436 | 581 | 345 | 3,800 | – | 5,162 |
| At 31 December 2009 | 2,680 | 3,166 | 2,260 | 23,929 | – | 32,035 |
| **Net book value** | | | | | | |
| **At 31 December 2009** | **485** | **1,933** | **1,741** | **29,725** | **98,128** | **132,012** |
| At 31 December 2008 | 920 | 1,802 | 1,027 | 21,621 | 49,068 | 74,438 |

At 31 December 2009, the Group had pledged its construction in progress amounting to HK$98,128,000 (2008: HK$49,068,000) to secure general banking facilities granted to the Group (note 23).

## 15 PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land for industrial use in the PRC under medium-term leases, as follows:

| | The Group HK$'000 |
|---|---|
| **Cost** | |
| At 1 January 2008 | 47,927 |
| Exchange realignment | 2,776 |
| Additions | 718 |
| At 31 December 2008 | 51,421 |
| At 1 January 2009 | 51,421 |
| Exchange realignment | 82 |
| At 31 December 2009 | 51,503 |
| **Accumulated amortisation** | |
| At 1 January 2008 | 479 |
| Exchange realignment | 28 |
| Charge for the year | 1,028 |
| At 31 December 2008 | 1,535 |
| At 1 January 2009 | 1,535 |
| Exchange realignment | 2 |
| Charge for the year | 1,030 |
| At 31 December 2009 | 2,567 |
| **Net book value** | |
| **At 31 December 2009** | **48,936** |
| At 31 December 2008 | 49,886 |

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 15 PREPAID LEASE PAYMENTS (continued)

An analysis for reporting purposes is as follows:

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Current portion | **1,030** | 1,029 |
| Non-current portion | **47,906** | 48,857 |
| | **48,936** | 49,886 |

Prepaid lease payments are amortised over the term of the leases of 50 years, commencing from 29 June 2007 and expiring on 28 June 2057.

At 31 December 2009, the Group had pledged its leasehold land with carrying values of HK$48,936,000 (2008: HK$25,596,000) to secure general banking facilities granted to the Group (note 23).

The land use rights of the above leasehold land are not allowed to be transferred or leased pursuant to the contracts for grant of the land use rights.

## 16 INVESTMENTS IN AND ACCOUNTS WITH SUBSIDIARIES

| | The Company | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Unlisted shares, at cost | **156** | 156 |
| Dividend receivable from a subsidiary | **61,175** | 13,475 |
| Amounts due from subsidiaries | **60,741** | 39,913 |
| Amounts due to subsidiaries | **12,063** | 9,658 |

The dividend receivable from a subsidiary and amounts due from/to subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

(Expressed in Hong Kong dollars)

## 16 INVESTMENTS IN AND ACCOUNTS WITH SUBSIDIARIES (continued)

Details of the Group's subsidiaries as at 31 December 2009 are as below:

| Name of company | Place of incorporation and registration | Particulars of issued and fully paid-up share capital/ registered capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activity |
|---|---|---|---|---|---|---|
| Great Ample Holdings Limited ("Great Ample") (note (a)) | BVI | US$20,001 | 100% | 100% | – | Investment holding |
| Glory Skill Investments Limited (note (a)) | BVI | US$2,961 | 100% | – | 100% | Investment holding |
| Springrich Investments Limited (note (a)) | BVI | US$1 | 100% | – | 100% | Investment holding |
| Success Profit International Limited (note (a)) | BVI | US$10,001 | 100% | – | 100% | Investment holding |
| Hing Lee (China) Company Limited ("Hing Lee (China)") (note (b)) | Hong Kong | HK$18,010,000 | 100% | – | 100% | Investment holding and provision of management services (note (e)) |
| Hing Lee Furniture Company Limited ("Hing Lee Furniture") (note (b)) | BVI | US$1 | 100% | – | 100% | Trading of furniture |
| Sharp Motion Worldwide Limited ("Sharp Motion") (note (a)) | BVI | US$4 | 100% | – | 100% | Trademark holding/licensing |
| Hing Lee Ideas Limited (note (a)) | Malaysia | US$1 | 100% | – | 100% | Dormant |
| Renowned Idea Group Limited (note (a)) | BVI | US$1 | 100% | – | 100% | Dormant |
| Hing Lee Furniture Group Limited ("HLFG") (note (b)) | Hong Kong | HK$3 | 100% | – | 100% | Dormant |
| Hander International Limited ("Hander International") (note (b)) | Hong Kong | HK$100 | 78% | – | 78% | Investment holding |

# Notes to the Financial Statements

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(Expressed in Hong Kong dollars)

## 16 INVESTMENTS IN AND ACCOUNTS WITH SUBSIDIARIES (continued)

| Name of company | Place of incorporation and registration | Particulars of issued and fully paid-up share capital/ registered capital | Proportion of ownership interest: Group's effective interest | Held by the Company | Held by a subsidiary | Principal activity |
|---|---|---|---|---|---|---|
| Hanmix Limited ("Hanmix") (note (b)) | Hong Kong | HK$1 | 100% | – | 100% | Investment holding |
| 深圳興利尊典家具有限公司 (Shenzhen Xingli Zundian Furniture Company Limited)* ("Shenzhen Xingli Zundian") (note (c)) | PRC | RMB40,000,000 | 100% | – | 100% | Design, manufacture, sale and marketing of home furniture |
| 深圳興利家具有限公司(Shenzhen Xingli Furniture Company Limited)* ("Shenzhen Xingli") (note (c)) | PRC | RMB73,500,000 | 100% | – | 100% | Design, manufacture, sale and marketing of home furniture |
| 東莞興展家具有限公司 (Dongguan Super Furniture Company Limited)* ("Dongguan Super Furniture") (note (d)) | PRC | US$1,680,000 | 78% | – | 100% | Manufacture and sale of bed mattresses |

*Notes:*

(a) No audited financial statements have been prepared since the date of incorporation as there were no statutory audit requirements under the relevant rules and regulations in their respective jurisdictions of incorporation.

(b) The financial statements of these companies for the year ended 31 December 2009 were audited by Baker Tilly Hong Kong Limited.

(c) The financial statements of these foreign investment enterprises for the year ended 31 December 2009 were audited by 深圳市興粵合伙會計師事務所 (Shen Zhen Shi Xing Yue Partnership Certified Public Accountants)*, certified public accountants registered in the PRC.

(d) The financial statements of this foreign investment enterprise for the year ended 31 December 2009 were audited by 東莞市華瑞會計師事務所 (Dong Guan Shi Hua Rui Certified Public Accountants)*, certified public accountants registered in the PRC.

(e) The management services provided by Hing Lee (China) consist of the provision of administration support, business facilities and other equipment or facilities, accounting services, services in connection with banking related documents and other managerial support to the Group.

* The English translation of the company names is for reference only. The official names of these companies are in Chinese.

## 17 AVAILABLE-FOR-SALE INVESTMENTS

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Listed equity investments, at market value | | |
| – Hong Kong | **8,262** | 4,648 |

The equity investments were previously classified by the Group as financial assets at fair value through profit or loss. Since acquisition, the directors intended to hold the investments for trading. In response to the financial crisis during the second half of 2008, which was considered a "rare circumstance" by the directors, they changed their intention regarding the investments in that they decided to hold the investment for the long term. The directors considered that the reclassification of the investments was allowed under the amendments made to HKAS 39 and HKFRS 7 "Reclassification of Financial Assets" issued by the HKICPA in October 2008 which was retrospectively effective from 1 July 2008 and made the reclassification on 1 August 2008.

## 18 INVENTORIES

(a) Inventories in the balance sheet comprise:

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Raw materials | **15,138** | 5,859 |
| Work in progress | **14,711** | 7,745 |
| Finished goods | **38,813** | 53,843 |
| | **68,662** | 67,447 |

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Carrying amount of inventories sold | **345,936** | 431,179 |
| Impairment of inventories | **3,095** | 2,165 |
| Write-off of inventories | **40** | – |
| | **349,071** | 433,344 |

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 19 TRADE DEBTORS AND BILLS RECEIVABLE

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Trade debtors and bills receivable | **34,615** | 39,250 |
| Less: allowance for doubtful debts (note 19(b)) | **(6,954)** | (4,688) |
| | **27,661** | 34,562 |

All trade debtors and bills receivable are expected to be recovered within one year.

### (a) Ageing analysis

The ageing analysis of trade debtors and bills receivable (net of allowance for doubtful debts) as of the balance sheet date is as follows:

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Current | **20,216** | 22,918 |
| Less than 3 months past due | **3,707** | 5,300 |
| 3 to 6 months past due | **3,525** | 4,605 |
| 6 to 12 months past due | **213** | 1,519 |
| More than 12 months past due | **–** | 220 |
| | **27,661** | 34,562 |

Trade debtors and bills receivable are non-interest bearing and are generally due within 30 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 29(a)(i).

## 19 TRADE DEBTORS AND BILLS RECEIVABLE (continued)

### (b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly (see note 2(g)(i)).

The movement in the allowance for doubtful debts during the year, including both specific and collective loss components, is as follows:

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| At 1 January | **4,688** | 6,197 |
| Impairment loss recognised/(reversed) | **2,266** | (1,509) |
| At 31 December | **6,954** | 4,688 |

At 31 December 2009, the Group's trade debtors and bills receivable of HK$6,954,000 (2008: HK$4,688,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral over these balances.

### (c) Trade debtors and bills receivable that are not impaired

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are set out in note 19(a).

Receivables that were neither past due nor impaired related to customers for whom there was no default.

Receivables that were past due but not impaired related to customers that have good creditworthiness. Based on past experience, the management believes that no 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 over these balances.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 20 RESTRICTED BANK DEPOSITS

Included in the restricted bank deposits was a settlement guarantee of approximately HK$9,645,000 (2008: HK$9,629,000) to the main contractor for the new production facilities of the Group in Shenzhen, required by the 《深圳市建設工程擔保實施辦法》(Shenzhen Construction Assurance Practice Note) imposed by 《深圳市建設局》(Shenzhen Construction Bureau). The settlement guarantee will be released upon the finalisation of the construction of the production facilities.

The remaining HK$4,543,000 (2008: HK$300,000) represents deposits pledged to secure banking facilities granted to the Group (note 23).

## 21 CASH AND CASH EQUIVALENTS

| | The Group | | The Company | |
|---|---|---|---|---|
| | **2009** | 2008 | **2009** | 2008 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Deposits with banks | **14,188** | 17,684 | **–** | – |
| Cash at bank and in hand | **86,773** | 80,453 | **17,386** | 70 |
| | **100,961** | 98,137 | **17,386** | 70 |
| Less: restricted bank deposits (note 20) | **(14,188)** | (9,929) | **–** | – |
| Cash and cash equivalents | **86,773** | 88,208 | **17,386** | 70 |

Deposits with banks bear interest at an average effective interest rate of 2.06% and 0.93% per annum as at 31 December 2009 and 2008 respectively.

The average effective interest rate for "Cash at bank" are 0.12% and 0.54% for the years ended 31 December 2009 and 2008 respectively.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 22 TRADE PAYABLES

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Trade payables | **48,052** | 61,221 |

The ageing analysis of trade payables as of the balance sheet date is as follows:

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Within 3 months | **45,021** | 56,880 |
| 3 months to 1 year | **2,457** | 3,995 |
| Over 1 year | **574** | 346 |
| | **48,052** | 61,221 |

All trade payables are expected to be settled within one year.

## 23 SECURED BANK LOANS

At 31 December 2009, secured bank loans were repayable as follows:

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Within one year | **16,850** | 11,441 |
| After 1 year but within 2 years | **28,585** | 11,441 |
| After 2 years but within 5 years | **13,933** | 20,931 |
| | **42,518** | 32,372 |
| | **59,368** | 43,813 |

The average effective interest rate for the secured bank loans are 7.97% and 7.92% for the years ended 31 December 2009 and 2008 respectively.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 23 SECURED BANK LOANS (continued)

The Group's banking facilities are secured by:

(i) a letter of undertaking over the Group's construction in progress (note 14);

(ii) legal charges over the Group's medium-term leasehold land outside Hong Kong (note 15);

(iii) restricted bank deposits of the Group (note 20); and

(iv) the directors' personal guarantee for 2008 (note 32(c)).

At 31 December 2009, the Group's banking facilities amounted to HK$149,725,000 (2008: HK$79,675,000). The facilities were utilised to the extent of HK$59,368,000 (2008: HK$43,813,000).

All of the Group's banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 29(a)(ii). At 31 December 2009, none of the covenants relating to drawn down facilities had been breached (2008: Nil).

## 24 AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company as at 31 December 2008 represented design fee payable to 深圳市景初家具設計有限公司 (Shenzhen Jing Chu Furniture Design Company Limited) ("Shenzhen Jing Chu"), a company 80% owned by Mr. Huang Wei Ye ("Mr. Huang"), a director of the Company, and 20% owned by two independent third parties. The balance was unsecured, interest-free and had no fixed terms of repayment. The balance was fully settled prior to the company's listing in June 2009.

In January 2009, Mr. Huang disposed of his entire interest in Shenzhen Jing Chu and, therefore, Shenzhen Jing Chu ceased to be a related company.

## 25 INCOME TAX IN THE BALANCE SHEET

### (a) Current taxation in the balance sheet represents:

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Hong Kong Profits Tax payable | **–** | 2,804 |
| PRC Enterprise Income Tax payable | **949** | 1,030 |
| | **949** | 3,834 |

## 25 INCOME TAX IN THE BALANCE SHEET (continued)

### (b) Deferred taxation

Details of the Group's unrecognised deferred tax (assets)/liabilities at the balance sheet date are as follows:

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Excess of tax allowances over depreciation | **95** | 45 |
| Tax losses | **(818)** | (513) |
| | **(723)** | (468) |

The deferred tax assets in respect of the tax losses have not been recognised in the financial statements due to the unpredictability of future profit streams. The tax losses do not expire under current tax legislation.

At 31 December 2009, the Group has unrecognised deferred tax liabilities of HK$3,386,000 (2008: HK$2,786,000) in relation to withholding tax on undistributed earnings of HK$67,725,000 (2008: HK$55,719,000) due to the retention of undistributed earnings by the Group's subsidiaries in the PRC determined by the directors of the Company.

The Company does not have any material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2008: Nil), and therefore, no provision for deferred tax has been made.

## 26 RETIREMENT BENEFIT PLANS

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$20,000. Contributions to the scheme vest immediately.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a defined contribution retirement benefit scheme which is the central pension scheme operated by local municipal government. These PRC subsidiaries are required to contribute a percentage of their payroll costs to the central pension scheme as specified by the local municipal government.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

### (a) Share option scheme adopted by the Company on 22 December 2006 and replaced by pre-IPO share option scheme on 29 May 2009

The Company adopted a share option scheme on 22 December 2006 (the "2006 Scheme") for the purpose of providing incentives to participants to contribute to the Company and to enable the Company to recruit high-calibre employees and attract human resources that are valuable to the Group.

Under the 2006 Scheme, the board of directors (the "Board") may at their discretion grant options to employees, officers, agents, consultants or representatives of any member of the Group (including any executive or non-executive director of any member of the Group).

On acceptance of the grant of the options, HK$1 per option is payable by the grantee. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2006 Scheme and any other share option schemes of any member of the Group must not exceed 30% of the number of the issued shares of the Company from time to time. In addition, the total number of shares which may be issued upon exercise of all options to be granted under the 2006 Scheme, together with all options to be granted under any other share option schemes of any member of the Group, must not more than 4,960 shares, being the scheme mandate limit. The Company may refresh the scheme mandate limit at any time, subject to prior shareholders' approval given at a general meeting of the Company or written resolutions of the members, provided that the maximum number of shares which may be issued under options to be granted under the 2006 Scheme (when aggregated with any shares which may be issued under options to be granted under any other share option scheme(s) of any member of the Group) under the limit as refreshed must not exceed 10% of the number of issued shares as at the date of the approval of the refreshed limit, excluding any shares that are subject to options previously granted under the 2006 Scheme or any other share option scheme(s) of any member of the Group (whether the options are outstanding, cancelled or lapsed or have been exercised). The total number of shares issued and which may be issued upon exercise of all options (whether exercised, cancelled or outstanding) granted under the 2006 Scheme and any other share option schemes of any member of the Group in any 12-month period immediately preceding any proposed date of the grant of options to each participant must not exceed 1% of the number of shares in issue as at the proposed grant date.

The exercise period of the options granted is determined by the Board and shall not be more than 10 years from the date of the grant. The exercise price of the options is determined by the Board and shall not be lower than the par value of the shares.

## 27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

### (a) Share option scheme adopted by the Company on 22 December 2006 and replaced by pre-IPO share option scheme on 29 May 2009 (continued)

Pursuant to a written resolution of the shareholders on 29 May 2009, the 2006 Scheme was terminated. All the share options granted under the 2006 Scheme were cancelled and replaced by options granted under the pre-IPO share option scheme adopted by the Company on 29 May 2009 ("Pre-IPO Share Option Scheme"). The purpose of the Pre-IPO Share Option Scheme is to grant new options to replace the options granted under the 2006 Scheme and to continue to give the participants of the Pre-IPO Share Option Scheme an opportunity to share in the success of the Group and to motivate the participants to optimize their performance and efficiency and also to retain participants whose contributions are important to the long-term growth and profitability of the Group. The Pre-IPO Share Option Scheme was valid and effective for the period commenced from 29 May 2009 and ended on 21 June 2009, being the day immediately prior to the Company's date of listing, after which period no further options will be offered and granted but the provisions of the Pre-IPO Share Option Scheme shall remain in force and effect in all other respects with respect to options granted during the life of the Pre-IPO Share Option Scheme.

Under the Pre-IPO Share Option Scheme, the Board may at their discretion grant options to directors, full-time employees, executives and officers of the Company and/or any of its subsidiaries.

The offer of a grant of options may be accepted by the grantee within 14 days from the date of the offer, upon payment of HK$1 by way of consideration for the grant. The maximum number of shares in respect of which options may be granted under the Pre-IPO Share Option Scheme shall not exceed 20,000,000 shares (representing 10% of the total issued shares of the Company but excluding the issue and allotment of shares upon the exercise of the options which have been or may be granted under the Pre-IPO Share Option Scheme and any other share option schemes of the Company).

The exercise period of the options granted is determined by the Board and shall not exceed 10 years from the date of the grant. The exercise price of the options is determined by the Board and shall not be less than the nominal value the shares.

# Notes to the Financial Statements

Year ended 31 December 2009
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## 27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

### (a) Share option scheme adopted by the Company on 22 December 2006 and replaced by pre-IPO share option scheme on 29 May 2009 (continued)

Details of the movements in share options granted under the 2006 Scheme and Pre-IPO Share Option Scheme are as follows:

| | | | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name of participants | Option scheme | Date of grant | Exercise price HK$ | Vesting and exercise period | Outstanding as at 1 January 2009 | Granted during the year | Exercised during the year | Replaced during the year | Outstanding as at 31 December 2009 |
| **Directors** | | | | | | | | | |
| Sung Kai Hing | 2006 Scheme | 31 Dec 2006 | 3,217 | 31 Dec 2008 to 30 Dec 2016 | 496 | – | – | (496) | – |
| | Pre-IPO Share Option Scheme | 29 May 2009 | 1.0647 | 23 Dec 2009 to 30 Dec 2016 | – | – | – | 1,498,670 | 1,498,670 |
| Cheung Kong Cheung | 2006 Scheme | 31 Dec 2006 | 3,217 | 31 Dec 2008 to 30 Dec 2016 | 496 | – | – | (496) | – |
| | Pre-IPO Share Option Scheme | 29 May 2009 | 1.0647 | 23 Dec 2009 to 30 Dec 2016 | – | – | – | 1,498,670 | 1,498,670 |
| Chan Kwok Kin* | 2006 Scheme | 31 Dec 2006 | 3,217 | 31 Dec 2008 to 30 Dec 2016 | 496 | – | – | (496) | – |
| | Pre-IPO Share Option Scheme | 29 May 2009 | 1.0647 | 23 Dec 2009 to 30 Dec 2016 | – | – | – | 1,498,670 | 1,498,670 |
| Huang Wei Ye* | 2006 Scheme | 31 Dec 2006 | 3,217 | 31 Dec 2008 to 30 Dec 2016 | 496 | – | – | (496) | – |
| | Pre-IPO Share Option Scheme | 29 May 2009 | 1.0647 | 23 Dec 2009 to 30 Dec 2016 | – | – | – | 1,498,670 | 1,498,670 |

# Notes to the Financial Statements

Year ended 31 December 2009
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## 27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

### (a) Share option scheme adopted by the Company on 22 December 2006 and replaced by pre-IPO share option scheme on 29 May 2009 (continued)

| Name of participants | Option scheme | Date of grant | Exercise price HK$ | Vesting and exercise period | Outstanding as at 1 January 2009 | Granted during the year | Exercised during the year | Replaced during the year | Outstanding as at 31 December 2009 |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | Number of share options | | | | |
| **Directors** | | | | | | | | | |
| Sun Jian | 2006 Scheme | 20 Jun 2007 | 3,217 | 20 Jun 2008 to 19 Jun 2017 (25%)<br>20 Jun 2009 to 19 Jun 2017 (25%)<br>20 Jun 2010 to 19 Jun 2017 (25%)<br>20 Jun 2011 to 19 Jun 2017 (25%) | 248 | – | – | (248) | – |
| | Pre-IPO Share Option Scheme | 29 May 2009 | 1.0647 | 23 Dec 2009 to 19 Jun 2017 (50%)<br>20 Jun 2010 to 19 Jun 2017 (25%)<br>20 Jun 2011 to 19 Jun 2017 (25%) | – | – | – | 749,335 | 749,335 |
| **Employees** | 2006 Scheme | 31 Dec 2006 | 3,217 | 31 Dec 2007 to 30 Dec 2016 (25%)<br>31 Dec 2008 to 30 Dec 2016 (25%)<br>31 Dec 2009 to 30 Dec 2016 (25%)<br>31 Dec 2010 to 30 Dec 2016 (25%) | 496 | – | – | (496) | – |
| | Pre-IPO Share Option Scheme | 29 May 2009 | 1.0647 | 23 Dec 2009 to 30 Dec 2016 (50%)<br>31 Dec 2009 to 30 Dec 2016 (25%)<br>31 Dec 2010 to 30 Dec 2016 (25%) | – | – | – | 1,498,670 | 1,498,670 |

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

### (a) Share option scheme adopted by the Company on 22 December 2006 and replaced by pre-IPO share option scheme on 29 May 2009 (continued)

| | | | | | Number of share options | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Name of participants | Option scheme | Date of grant | Exercise price HK$ | Vesting and exercise period | Outstanding as at 1 January 2009 | Granted during the year | Exercised during the year | Replaced during the year | Outstanding as at 31 December 2009 |
| **Employees** | | | | | | | | | |
| | 2006 Scheme | 20 Jun 2007 | 3,217 | 20 Jun 2008 to 19 Jun 2017 (25%)<br>20 Jun 2009 to 19 Jun 2017 (25%)<br>20 Jun 2010 to 19 Jun 2017 (25%)<br>20 Jun 2011 to 19 Jun 2017 (25%) | 248 | – | – | (248) | – |
| | Pre-IPO Share Option Scheme | 29 May 2009 | 1.0647 | 23 Dec 2009 to 19 Jun 2017 (50%)<br>20 Jun 2010 to 19 Jun 2017 (25%)<br>20 Jun 2011 to 19 Jun 2017 (25%) | – | – | – | 749,335 | 749,335 |
| | 2006 Scheme | 31 Dec 2006 | 3,217 | 31 Dec 2008 to 30 Dec 2016 | 1,984 | – | – | (1,984) | – |
| | Pre-IPO Share Option Scheme | 29 May 2009 | 1.0647 | 23 Dec 2009 to 30 Dec 2016 | – | – | – | 5,994,675 | 5,994,675 |
| | | | | | 4,960 | – | – | 14,981,735 | 14,986,695 |

* Mr. Chan Kwok Kin and Mr. Huang Wei Ye resigned as directors of the Company on 29 May 2009 but remain as members of senior management.

(Expressed in Hong Kong dollars)

## 27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

### (a) Share option scheme adopted by the Company on 22 December 2006 and replaced by pre-IPO share option scheme on 29 May 2009 (continued)

(i) The terms and conditions of the grants are as follows, whereby all options are settled by physical delivery of shares:

| | Number of options | Vesting conditions | Contractual life of options |
|---|---|---|---|
| Options to directors: | | | |
| – granted on 31 December 2006 | 1,984 | 2 years from the date of grant | 10 years |
| – granted on 20 June 2007 | 248 | 1 to 4 years from the date of grant | 10 years |
| – cancelled on 29 May 2009 | (2,232) | | |
| – replaced on 29 May 2009 | 3,746,675 | Vesting from 23 December 2009 to 20 June 2011 | 29 May 2009 to 19 June 2017 |
| Options to employees: | | | |
| – granted on 31 December 2006 | 2,480 | 1 to 4 years from the date of grant | 10 years |
| – granted on 20 June 2007 | 248 | 1 to 4 years from the date of grant | 10 years |
| – cancelled on 29 May 2009 | (2,728) | | |
| – replaced on 29 May 2009 | 11,240,020 | Vesting from 23 December 2009 to 20 June 2011 | 29 May 2009 to 19 June 2017 |
| Total share options granted | 14,986,695 | | |

(ii) The number and weighted average exercise prices of the share options are as follows:

| | 2009 | | 2008 | |
|---|---|---|---|---|
| | **Weighted average exercise price HK$** | **Number of share options** | Weighted average exercise price HK$ | Number of share options |
| Outstanding at the beginning of the year | **3,217** | **4,960** | 3,217 | 4,960 |
| Cancelled during the year | **3,217** | **(4,960)** | – | – |
| Replaced during the year | **1.0647** | **14,986,695** | – | – |
| Outstanding at the end of the year | **1.0647** | **14,986,695** | 3,217 | 4,960 |
| Exercisable at the end of the year | **1.0647** | **13,862,693** | 3,217 | 3,968 |

The options outstanding at 31 December 2009 had an exercise price of HK$1.0647 (2008: HK$3,217) and a weighted average remaining contractual life of 7.05 years (2008: 8.05 years).

# Notes to the Financial Statements

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**27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)**

**(a) Share option scheme adopted by the Company on 22 December 2006 and replaced by pre-IPO share option scheme on 29 May 2009 (continued)**

*(iii) Fair value of share options and assumptions*

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on the binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the model.

As the purpose of the Pre-IPO Share Option Scheme is to grant new options to replace the options granted under the 2006 Scheme, the number of options granted under the Pre-IPO Share Option Scheme and the exercise price of the options were determined by reference to the effect of the increase in the Company's number of issued shares as a result of the sub-division of shares and Capitalisation Issue as detailed in note 28(c). Therefore, the total fair value of the share options issued under the Pre-IPO Share Option Scheme is assumed to be equal to that of the share options issued under the 2006 Scheme.

The assumptions used by the binomial lattice model in the valuation of options granted under the 2006 Scheme/Pre-IPO Share Option Scheme are as follows:

| | Options granted on 31 December 2006 | Options granted on 20 June 2007 |
|---|---|---|
| Share price | HK$3,701/ HK$1.2249* | HK$5,713/ HK$1.8908* |
| Exercise price | HK$3,217/ HK$1.0647* | HK$3,217/ HK$1.0647* |
| Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model) | 36.76% | 37.13% |
| Option life | 10 years | 10 years |
| Expected dividend yield | 6.16% | 3.99% |
| Risk-free interest rate | 3.73% | 4.70% |

* The share price and exercise price of options granted on 31 December 2006 and 20 June 2007 have been adjusted for the effect of share subdivision and Capitalisation Issue in May 2009.

## 27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

### (a) Share option scheme adopted by the Company on 22 December 2006 and replaced by pre-IPO share option scheme on 29 May 2009 (continued)

*(iii) Fair value of share options and assumptions (continued)*

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility based on publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

### (b) Share option scheme adopted by the Company on 29 May 2009

Pursuant to the written resolution passed by the shareholders of the Company on 29 May 2009, the Company adopted a share option scheme (the "2009 Share Option Scheme"). The purpose of the 2009 Share Option Scheme is to enable the Company to grant options to participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the participants. The 2009 Share Option Scheme is valid and effective for a period of 10 years from 29 May 2009.

Under the 2009 Share Option Scheme, the Board may at their discretion grant options to full-time or part-time employees, directors (including executive, non-executive or independent non-executive) and any consultants or advisers (whether professional or otherwise and whether on an employment or contractual or honorary basis or otherwise and whether paid or unpaid), distributors, contractors, suppliers, service provider, agents, customers and business partners of the Company and/or any of its subsidiaries.

# Notes to the Financial Statements

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## 27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

### (b) Share option scheme adopted by the Company on 29 May 2009 (continued)

The offer of a grant of share options may be accepted by the grantee within 14 days from the date of the offer, upon payment of HK$1 by way of consideration for the grant. The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2009 Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time. In addition, the total number of shares which may be issued upon exercise of all options to be granted under the 2009 Share Option Scheme and any other share option schemes of the Company (excluding the Pre-IPO Share Option Scheme) must not exceed 10% of the issued share capital of the Company as at 22 June 2009, being the scheme mandate limit. The Board may seek approval by the shareholders of the Company in general meeting to renew the scheme mandate limit, provided that the total number of shares which may be issued upon exercise of all options to be granted under the 2009 Share Option Scheme and any other share option schemes of the Company in these circumstances must not exceed 10% of the issued share capital of the Company at the date of approval of the renewed limit. Options previously granted under the 2009 Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the 2009 Share Option Scheme or any other share option schemes of the Company and exercised options) will not be counted for the purpose of calculating the renewed limit. The Board may seek separate shareholders' approval in general meeting to grant options beyond the scheme mandate limit or the renewed limit provided that the options in excess of the scheme mandate limit or the renewed limit are granted only to the participants specifically identified by the Company before such approval is sought. The total number of shares issued and to be issued upon exercise of the options granted to each participant (including both exercised and outstanding options under the 2009 Share Option Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company.

The exercise period of the options granted is determined by the Board and shall not exceed 10 years from the date of the grant. The exercise price of the options is determined by the Board and shall be at least the highest of (i) the closing price per share as stated in the daily quotation sheet of the Stock Exchange on the offer date; (ii) the average closing price per share as state in the daily quotation sheet of the Stock Exchange for the 5 business days immediately preceding the offer date; and (iii) the nominal value of a share.

No option was granted by the Company under the 2009 Share Option Scheme since its date of adoption.

## 28 SHARE CAPITAL, RESERVES AND DIVIDENDS

### (a) Movement in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

The Company

| | Share capital HK$'000 | Share premium HK$'000 | Share option reserve HK$'000 | Retained profits HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Balance at 1 January 2008** | 387 | 44,350 | 2,477 | 7,947 | 55,161 |
| Equity-settled share-based transactions | – | – | 2,633 | – | 2,633 |
| Dividends declared in respect of the current year | – | – | – | (3,971) | (3,971) |
| Total comprehensive loss for the year | – | – | – | (2,019) | (2,019) |
| **Balance at 31 December 2008 and at 1 January 2009** | 387 | 44,350 | 5,110 | 1,957 | 51,804 |
| Equity-settled share-based transactions | – | – | 466 | – | 466 |
| Shares issued upon capitalisation | 1,113 | (1,113) | – | – | – |
| Shares issued upon placing and public offer | 500 | 31,897 | – | – | 32,397 |
| Dividends declared in respect of the current year | – | – | – | (2,100) | (2,100) |
| Total comprehensive income for the year | – | – | – | 44,397 | 44,397 |
| **Balance at 31 December 2009** | **2,000** | **75,134** | **5,576** | **44,254** | **126,964** |

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 28 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

### (b) Dividends

Dividends payable to equity shareholders of the company attributable to the year are as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Interim dividend declared and paid of HK1.05 cents per ordinary share (2008: HK$80 per ordinary share) | **2,100** | 3,971 |
| Final dividend proposed after the balance sheet date of HK1.40 cents per ordinary share (2008: HK$Nil) | **2,800** | – |
| | **4,900** | 3,971 |

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

### (c) Share capital

| | **2009** | | 2008 | |
|---|---|---|---|---|
| | **Number of ordinary shares of HK$0.01 each** | **Amount HK$'000** | Number of ordinary shares of US$1 each | Amount US$'000 |
| Authorised: | | | | |
| At 31 December | **1,000,000,000** | **10,000** | 50,000 | 50 |
| | | **HK$'000** | | HK$'000 |
| Issued and fully paid: | | | | |
| At 1 January | **49,644** | **387** | 49,644 | 387 |
| Arising from sub-division of shares | **38,672,676** | **–** | – | – |
| Issued upon capitalisation | **111,277,680** | **1,113** | – | – |
| Issued under the Share Offer | **50,000,000** | **500** | – | – |
| At 31 December | **200,000,000** | **2,000** | 49,644 | 387 |

## 28 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

### (c) Share capital (continued)

*Notes:*

(i) On 5 May 2009, the currency denomination of the issued and unissued share capital of the Company was changed from United States dollars to Hong Kong dollars by adopting the exchange rate of US$1.00 to HK$7.80 such that the Company's authorised share capital has become HK$390,000 divided into 50,000 shares of HK$7.80 each and the issued share capital has become HK$387,223.20 divided into 49,644 shares of HK$7.80 each and immediately thereafter, each of the issued and unissued shares of HK$7.80 each in the share capital of the Company was subdivided into 780 shares of HK$0.01 each so that the share capital of the Company comprised 38,722,320 issued shares and 277,680 unissued shares of HK$0.01 each.

(ii) Pursuant to the written resolutions of the shareholders of the Company passed on 29 May 2009, the authorised share capital of the Company was increased from HK$390,000 to HK$10,000,000 by the creation of an additional of 961,000,000 shares of HK$0.01 each.

(iii) Conditional on the share premium account of the Company being credited as a result of the Share Offer, the directors were authorised to capitalize an amount of HK$1,112,776.80 from the amount standing to the credit of the share premium account of the Company and that the said sum be capitalised and applied to pay up in full at par a total of 111,277,680 shares for allotment and issue, credited as fully paid at par, to the holders of shares whose names appear on the register of members of the Company at the close of business on 29 May 2009 or as each of them may direct in writing, in proportion (or as nearly as possible without involving the issue of fractions of shares) to their respective shareholdings in the Company.

(iv) On 22 June 2009, 50,000,000 new shares were issued to the public at HK$1.02 per share for cash totaling HK$51,000,000. The excess of the issue price over the par value of the shares, net of share issuing expenses was credited to the share premium account of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at the meetings of the Company. All shares rank equally with regard to the Company's residual assets.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 28 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

### (d) Nature and purpose of reserves

*(i) Share premium*

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981.

*(ii) Exchange reserve*

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong which are dealt with in accordance with the accounting policies as set out in "Foreign currency translation".

*(iii) Statutory reserve fund*

Subsidiaries in the PRC are required to transfer 10% of the net profits, as determined in accordance with the PRC accounting rules and regulations, to statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer of this fund must be made before distribution of dividends to equity holders.

The statutory reserve fund can be used to make good of previous years' losses, if any, and may be converted into capital provided that the balance of the general reserve fund after such conversion is not less than 25% of their registered capital.

*(iv) Merger reserve*

The Group's merger reserve represents the difference between the aggregate net assets of the subsidiaries acquired by the Group and the nominal amount of the Company's shares issued under the 2004 Reorganisation.

*(v) Share option reserve*

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policies as set out in "Equity compensation benefit". The amount will either be transferred to the share premium account where the related options are exercised, or be transferred to retained profits where the related options expired or be forfeited.

*(vi) Fair value reserve*

The fair value reserve comprises the cumulative net changes in the fair value of available-for-sale securities held at the balance sheet date and is dealt with in accordance with the accounting policies in note 2(d) and 2(g)(i).

## 28 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

### (e) Distributability of reserves

At 31 December 2009, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$119,388,000 (2008: HK$46,307,000), being the aggregate of the share premium and retained profits of the Company. The Company's share premium account in the amount of HK$75,134,000 (2008: HK$44,350,000) may be distributed in the form of fully paid bonus shares only.

### (f) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through maintaining healthy capital ratio.

The capital structure of the Group consists of available-for-sale investments disclosed in note 17, cash and cash equivalents disclosed in note 21, secured bank loans disclosed in note 23 and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and retained profits disclosed in the statement of changes in equity.

The directors review the capital structure on an annual basis. As a part of this review, management considers the cost of capital, the changes in economic conditions and the risk characteristics of each class of capital. The directors will balance the Group's overall capital structure through the payment of dividends.

The Group's overall strategy for the period remained unchanged during the year.

Secured bank loans amounting to HK$59,368,000 (2008: HK$43,813,000) (note 23) were obtained as part of the capital structure of the Group. However, as the cash and cash equivalents of the Group exceed the bank loans amount, the Group does not have net indebtedness to banks.

| | **The Group** | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Cash and cash equivalents | **86,773** | 88,208 |
| Less: Secured bank loans (note 23) | **(59,368)** | (43,813) |
| Net cash | **27,405** | 44,395 |

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

### (a) Financial risk management

The Group is exposed to a variety of risks including credit risk, liquidity risk, cash flow and interest rate risk and foreign currency risk arising in the normal course of the Group's business activities.

The Group does not have any written risk management policies and guidelines. The directors monitor the financial risk management of the Group and take measures as considered necessary from time to time to minimise such financial risks.

*(i) Credit risk*

Credit risk arises from the possibility that customers may not be able to settle obligations within the normal terms of transactions. The Group performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for doubtful debts based upon the expected collectibles of all trade and other receivables. At the balance sheet date, there were no major concentrations of credit risk.

The maximum exposure to credit risk is therefore represented by the carrying amount of each financial asset as stated in the balance sheet.

Cash is held with financial institutions of good standing.

*(ii) Liquidity risk*

The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

### (a) Financial risk management (continued)

*(ii) Liquidity risk (continued)*

The following table details the remaining contractual maturities at the balance sheet date of the Group's and the Company's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group and the Company can be required to pay:

| | **2009** | | | | | 2008 | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **Carrying amount HK$'000** | **Total contractual undiscounted cash flow HK$'000** | **Within 1 year or on demand HK$'000** | **More than 1 year but less than 2 years HK$'000** | **More than 2 years but less than 5 years HK$'000** | Carrying amount HK$'000 | Total contractual undiscounted cash flow HK$'000 | Within 1 year or on demand HK$'000 | More than 1 year but less than 2 years HK$'000 | More than 2 years but less than 5 years HK$'000 |
| **The Group** | | | | | | | | | | |
| Trade payables | **48,052** | **48,052** | **48,052** | **-** | **-** | 61,221 | 61,221 | 61,221 | - | - |
| Other payables and accrued charges | **41,715** | **41,715** | **41,715** | **-** | **-** | 34,188 | 34,188 | 34,188 | - | - |
| Amount due to a related company | **-** | **-** | **-** | **-** | **-** | 749 | 749 | 749 | - | - |
| Secured bank loans | **59,368** | **64,741** | **19,953** | **30,373** | **14,415** | 43,813 | 56,226 | 9,089 | 17,736 | 29,401 |
| | **149,135** | **154,508** | **109,720** | **30,373** | **14,415** | 139,971 | 152,384 | 105,247 | 17,736 | 29,401 |
| **The Company** | | | | | | | | | | |
| Other payables and accrued charges | **696** | **696** | **696** | **-** | **-** | 657 | 657 | 657 | - | - |
| Amounts due to subsidiaries | **12,063** | **12,063** | **12,063** | **-** | **-** | 9,658 | 9,658 | 9,658 | - | - |
| | **12,759** | **12,759** | **12,759** | **-** | **-** | 10,315 | 10,315 | 10,315 | - | - |

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

### (a) Financial risk management (continued)

*(iii) Interest rate risk*

Cash flow interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk where the value of a financial instrument will fluctuate due to changes in market interest rates.

Interest-bearing financial assets are mainly bank balances and bank deposits. Interest-bearing financial liabilities are mainly secured bank loans. The Group currently does not have any interest rate hedging policy and will consider enter into interest rate hedging should the need arise. The Group ensures that it borrows at competitive interest rates under favourable terms and conditions. The financial instruments of the Group that are exposed to interest rate risk are disclosed in notes 21 and 23.

*(iv) Foreign currency risk*

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Renminbi and United States dollars. Hence, the Group's foreign currency risk is considered to be minimal by the directors of the Company. The Group does not hold or issue any derivative financial instruments for trading purpose or to hedge against fluctuations in foreign exchange rates, but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's exposure at the balance sheet date to foreign currency risk arising from recognised assets or liabilities denominated in a currency other than Hong Kong dollars. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the balance sheet date.

## 29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

### (a) Financial risk management (continued)

*(iv) Foreign currency risk (continued)*

| | The Group | | | |
|---|---|---|---|---|
| | **2009** | | 2008 | |
| | **Denominated in** | | Denominated in | |
| | **Renminbi** | **United States dollars** | Renminbi | United States dollars |
| | **HK$'000** | **HK$'000** | HK$'000 | HK$'000 |
| Trade debtors and bills receivable | **17,152** | **8,919** | 20,941 | 6,436 |
| Prepayments, deposits and other receivables | **26,808** | **–** | 15,402 | – |
| Restricted bank deposits | **14,188** | **–** | 9,629 | – |
| Cash and cash equivalents | **48,872** | **12,934** | 6,794 | 24,483 |
| Trade payables | **(44,426)** | **(3,626)** | (50,354) | (10,867) |
| Other payables and accrued charges | **(36,521)** | **(4,239)** | (27,241) | (6,274) |
| Secured bank loans | **(59,368)** | **–** | (43,813) | – |
| Amount due to related company | **–** | **–** | (749) | – |
| Current taxation | **(949)** | **–** | (1,030) | – |
| Net exposure arising from recognised assets and liabilities | **(34,244)** | **13,988** | (70,421) | (13,778) |

Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

The Company did not expose to foreign currency risk as at balance sheet date as all the recognised assets and liabilities were denominated in Hong Kong dollars.

### (b) Estimation of fair values

The notional amounts of financial assets and liabilities with maturity of less than one year (including trade debtors and bills receivable, prepayments, deposits and other receivables, restricted bank deposits, cash and cash equivalents, trade payables, other payables and accrued charges and amount due to a related company) are assumed to approximate their fair values.

The fair value of non-trade balances due from/to subsidiaries has not been determined as the timing of the expected cash flows of these balances cannot be reasonably determined because of the relationship.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 30 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2009 not provided for in the financial statements were as follows:

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Contracted for: | | |
| – Construction of factory building | **9,365** | 38,921 |
| – Acquisition of fixed assets | **609** | 79 |
| | **9,974** | 39,000 |
| Authorised but not contracted for: | | |
| – Acquisition of fixed assets | **12,157** | 25,000 |

(b) At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Within 1 year | **1,574** | 6,526 |
| After 1 year but within 5 years | **3,219** | 18,057 |
| After 5 years | **1,065** | 18,707 |
| | **5,858** | 43,290 |

(c) At 31 December 2009, the total future minimum lease payments under non-cancellable operating leases the Group contracted with tenants are receivable as follows:

| | The Group | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Within 1 year | **–** | 305 |
| After 1 year but within 5 years | **–** | 218 |
| After 5 years | **–** | 109 |
| | **–** | 632 |

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 31 CONTINGENT LIABILITIES

| | The Company | |
|---|---|---|
| | **2009** | 2008 |
| | **HK$'000** | HK$'000 |
| Corporate guarantee given and utilised | **42,331** | 43,813 |

At 31 December 2009, the Company provided a corporate guarantee to Shenzhen Xingli to the extent of HK$77,000,000 (2008: HK$77,000,000) in relation to the payments for bank loans as set out in note 23, HK$42,331,000 (2008: HK$43,813,000) of which was utilized.

In the opinion of the directors of the Company, no material liabilities will arise from the above guarantee in the ordinary course of business and the fair value of the corporate guarantee granted by the Company is immaterial.

## 32 MATERIAL RELATED PARTY TRANSACTIONS

### (a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9, is as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Short-term employee benefits | **5,235** | 4,893 |
| Post-employment benefits | **68** | 61 |
| Share-based payments | **466** | 1,551 |
| | **5,769** | 6,505 |

Total remuneration is included in "Staff costs" (see note 6(b)).

### (b) Other related party transactions

During the year, the Group had the following transactions with related parties, summarised as follows:

| | **2009** | 2008 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Design fee paid to Shenzhen Jing Chu | **–** | 916 |

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 32 MATERIAL RELATED PARTY TRANSACTIONS (continued)

### (b) Other related party transactions (continued)

During the year ended 31 December 2008, the service fees payable to Shenzhen Jing Chu took the forms of (i) a fixed design fee (in respect of Shenzhen Xingli: RMB2,000 per drawing for each product; in respect of Shenzhen Xingli Zundian: RMB1,000 per drawing for each product); plus (ii) commission based on certain percentages of the invoiced amount of Shenzhen Xingli and Shenzhen Xingli Zundian derived from the sale of the products designed by Shenzhen Jing Chu for a period of 3 years commencing from the date of the agreement. The rate of commission payable by Shenzhen Xingli was no more than 2% (depending on the pricing of the relevant products) and the rate payable by Shenzhen Xingli Zundian was 1.5% in respect of products for domestic sales or export. Design fee paid to Shenzhen Jing Chu was mutually agreed between both parties. In the opinion of the directors, the transactions were entered into in the ordinary and usual course of business and on normal commercial terms. Given the disposal by Mr. Huang Wei Ye of his entire interest in Shenzhen Jing Chu in January 2009, the transactions between the Group and Shenzhen Jing Chu ceased to constitute connected transactions of the Company under the Listing Rules.

### (c) Guarantees provided by directors

At 31 December 2008, personal guarantees to the Group's bank loans disclosed in note 23 were provided by Mr. Sung Kai Hing, Mr. Cheung Kong Cheung, Mr. Chan Kwok Kin and Mr. Huang Wei Ye, being directors of the Company, for the amount of HK$11,000,000, HK$11,000,000, HK$9,386,300 and RMB8,824,200, respectively. Both Mr. Chan Kwok Kin and Mr. Huang Wei Ye resigned as directors of the Company on 29 May 2009 but remain as members of the senior management.

These personal guarantees were released upon listing.

**(d)** Balances with related parties are disclosed in the balance sheet and notes 16 and 24.

## 33 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation.

## 34 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## 34 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

### (i) Useful lives of fixed assets

The Group's management determines the estimated useful lives and related depreciation charges for its fixed assets. Management will revise the depreciation charge where useful lives are different to previously estimated, or will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

### (ii) Net realisable value of inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recovered if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may not also be recoverable if the estimated costs to be incurred to make the sales have increased. The amount written off to the income statement is the difference between the carrying value and net realisable value of the inventories. In determining whether the cost of inventories can be recoverable, significant judgement is required. In making this judgement, the Group evaluates, among other factors, the duration and extent by all means to which the amount will be recovered.

### (iii) Estimated allowance for receivables

Management regularly reviews the recoverability of trade and other receivables and amounts due from related parties. Allowance for these receivables is made based on the evaluation of collectability and on management's judgement by reference to the estimation of the future cash flows discounted at the effective interest rate to calculate the present value.

A considerable amount of judgement is required in assessing the ultimate realisation of these debtors, including their current creditworthiness. If the actual future cash flows were less than expected, additional allowance may be required.

Determining income tax provisions involves judgement on the future tax treatment of certain transactions. The Group carefully evaluates tax implications of transactions, and tax provisions are made accordingly. The tax treatment of transactions is assessed periodically to include the effect of all changes in tax legislation and practices.

# Notes to the Financial Statements

Year ended 31 December 2009
(Expressed in Hong Kong dollars)

## 35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements:

| | |
|---|---|
| HKFRS 1 Amendments | Amendments to HKFRS 1 First-time Adoption of Hong Kong Financial Reporting Standards – Additional Exemptions for First-time Adopters [2] |
| HKFRS 1 (Revised) | First Time Adoption of Hong Kong Financial Reporting Standards [1] |
| HKFRS 2 Amendments | Amendments to HKFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions [2] |
| HKFRS 3 (Revised) | Business Combinations [1] |
| HKFRS 9 | Financial Instruments [6] |
| HKAS 18 Amendments | Revenue [2] |
| HKAS 24 (Revised) | Related Party Disclosures [5] |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements [1] |
| HKAS 32 Amendments | Amendments to HKAS 32 Financial Instruments: Presentation – Classification of Rights Issues [3] |
| HKAS 39 Amendment | Amendment to HKAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items [1] |
| HK(IFRC)-Int 14 Amendments | Prepayments of a Minimum Funding Requirement [5] |
| HK(IFRC)-Int 17 | Distributions of Non-cash Assets to Owners [1] |
| HK(IFRC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments [4] |
| HK(IFRC)-Int 4 Amendment | Determination of Length of Lease Term in respect of Hong Kong Land Leases [2] |

Apart from the above, the HKICPA has also issued Improvements to HKFRSs* which set out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. Except for the amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 which are effective for the annual periods on or after 1 July 2009, other amendments are effective for annual periods beginning on or after 1 January 2010 although there is separate transitional provision for each standard.

## 35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2009 (continued)

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

* Improvements to HKFRSs contain amendments to HKFRS 2, HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 18, HKAS 36, HKAS 38, HKAS 39, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's or the Company's results of operations and financial position.

# Financial Summary

(Expressed in Hong Kong dollars)

## Consolidated Income Statements

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2009** | 2008 | 2007 | 2006 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 |
| **Turnover** | **439,358** | 534,346 | 492,669 | 369,626 |
| Cost of sales | **(349,071)** | (433,344) | (396,438) | (299,526) |
| **Gross profit** | **90,287** | 101,002 | 96,231 | 70,100 |
| Other income | **3,123** | 1,989 | 1,962 | 2,304 |
| Selling and distribution expenses | **(41,351)** | (35,533) | (27,453) | (18,441) |
| Administrative expenses | **(29,451)** | (33,348) | (28,490) | (22,594) |
| **Profit from operating activities** | **22,608** | 34,110 | 42,250 | 31,369 |
| Finance costs | **(623)** | (70) | (18) | (481) |
| **Profit before taxation** | **21,985** | 34,040 | 42,232 | 30,888 |
| Income tax | **(2,360)** | (3,251) | (1,803) | (2,137) |
| **Profit for the year** | **19,625** | 30,789 | 40,429 | 28,751 |

## Assets and Liabilities

| | As at 31 December | | | |
|---|---|---|---|---|
| | **2009** | 2008 | 2007 | 2006 |
| | **HK$'000** | HK$'000 | HK$'000 | HK$'000 |
| Non-current assets | **188,180** | 127,943 | 72,921 | 16,292 |
| Current assets | **225,521** | 225,216 | 217,483 | 217,118 |
| Current liabilities | **107,566** | 111,433 | 119,654 | 98,330 |
| Net current assets | **117,955** | 113,783 | 97,829 | 118,788 |
| Total assets less current liabilities | **306,135** | 241,726 | 170,750 | 135,080 |
| Non-current liabilities | **42,518** | 32,372 | – | – |
| Net assets | **263,617** | 209,354 | 170,750 | 135,080 |
| Equity attributable to equity holders of the Company | **258,400** | 205,009 | 166,684 | 132,662 |