HISTORY

The Group's business traces its history back to 1993 when Dongguan Rich, a sino-foreign equity joint venture enterprise, was established in the PRC by three of the Founders, namely Mr. Sung, Mr. Cheung and Mr. Chan, through HLFL (which is not a member of the Group) and the Chinese party, Changping Development. Dongguan Rich was principally engaged in the business of manufacturing and trading mattresses with sales in both the PRC and overseas markets. Mr. Cheung was appointed as the managing director of Dongguan Rich. HLFL is owned as to 33.334% by Mr. Sung, 33.333% by Mr. Cheung and 33.333% by Mr. Chan.

Each of the three Founders, namely Mr. Sung, Mr. Cheung and Mr. Chan, has more than [15] years of experience in the furniture industry. Prior to the establishment of Dongguan Rich, Mr. Sung, Mr. Cheung and Mr. Chan were partners engaged in the trading of furniture products.

Dongguan Rich was initially held as to 60% by HLFL and 40% by Changping Development with a registered capital of RMB8,280,000. HLFL was established by Mr. Sung, Mr. Cheung and Mr. Chan and was then engaged in trading of furniture products. Changping Development was a collective-owned enterprise established in the PRC and principally engaged in provision of consultancy and business development services. Save for the investment of Changping Development in Dongguan Rich, none of the Founders has any business relationship with Changping Development. Please also refer to sub-paragraph headed "The principal subsidiaries of the Company during the Track Record Period – Dongguan Rich (dissolved)" in the paragraph headed "Corporate development" in this section below for details of changes in the shareholding of Dongguan Rich.

With the rapid growth of the PRC economy in the 1990s and recognising the immense potential in the PRC's home furniture industry, Shenzhen Dahao was established by the Founders and a Chinese party in 1995 to engage in the business of manufacture and sale of classic wood-based furniture, targeting at the mid to high price point consumers of the PRC market who had an appreciation for high quality wood-based home furniture. Mr. Sung was responsible for overseeing the overall management, strategic planning as well as the financing and accounting of Shenzhen Dahao, whilst Mr. Chan was in charge of sales and marketing. Mr. Huang, a Founder, also joined the Group as the general manager of Shenzhen Dahao and was responsible for product design and development, production and administration.

Shenzhen Dahao was a sino-foreign equity joint venture enterprise in the PRC and was held as to 65% by Hing Lee (China) (a member of the Group which was then beneficially owned by Mr. Sung, Mr. Cheung, Mr. Chan and Mr. Sung Hung Chi, a relative of Mr. Sung) and 35% by Dahao Furniture. Dahao Furniture was a sino foreign equity joint venture company registered on 15 March 1985 in the PRC and principally engaged in manufacture and sales of wood furniture and sofas. Save as being a shareholder of Shenzhen Dahao and Dongguan Rich, Dahao Furniture has no business relationship with the Founders. Please also refer to sub-paragraph headed "The principal subsidiaries of the Company during the Track Record Period – Shenzhen Dahao (dissolved)" in the paragraph headed "Corporate development" in this section below for details of changes in the shareholding of Shenzhen Dahao.

In August 2000, the Group formally launched the classic furniture series under the brand name of "Johnston" (尊典). The "Johnston" brand has won a number of design awards in various furniture fairs and has become one of the Group's best selling brand of wood-based home furniture.

To expand its range of products in addition to classic furniture series, the Group has introduced a succession of modern furniture series catering for different markets and preferences under the brand names of "Oriant" (歐瑞), "Sunrays" (新銳士) (which was subsequently merged with the brand "Oriant") and "Mandarin" (世紀葵花) since 2001.

With rising demand for the Group's wood-based home furniture, the Founders established Shenzhen Xingli in the PRC in 2002 with an intention to expand the Group's modern furniture business. Since then, Shenzhen Xingli has been focusing on the design and development, and production and sales of the Group's modern furniture products. Shenzhen Xingli was set up by Mr. Sung, Mr. Cheung, Mr. Chan and LFST (a company incorporated in the PRC and controlled by Mr. Huang and his spouse) as a sino-foreign equity joint venture enterprise and was subsequently transformed to a wholly foreign-owned enterprise. Please refer to sub-paragraph headed "The principal subsidiaries of the Company during the Track Record Period – Shenzhen Xingli" in the paragraph headed "Corporate development" in this section below for details of changes in the shareholding of Shenzhen Xingli. Mr. Sung was responsible for overseeing its financial operation, Mr. Chan was responsible for its sales and marketing and Mr. Huang was responsible for its product design and development, and production and administration.

In 2002, the Group also introduced its first furniture series for children under the brand name of "QQ Star" (智逗星) (which was subsequently merged with the brand "Oriant") and its first branded mattress products under the brand name of "Degas" (德加).

In [June] 2003, Shenzhen Xingli leased a property in Shenzhen, the PRC, with a GFA of approximately [24,770] sq.m. to house its production facilities for the production of modern furniture products. A fully automatic UV spray-coating processing line was installed at the production plant. This spray-coating processing line can spray and dry paint on double-faced surfaces of furniture parts by employing UV light and helps reduce the air pollution and water pollution generated during the spraying process.

In 2003, the Group implemented the ERP system integrating the procurement, inventory control, sales and financial management functions into a single system.

In 2003, the Group launched the "PZ-King" (品至) brand to expand its modern furniture products portfolio, which made its debut at the Cologne Furniture Fair 2003 in Germany. Subsequently, to further broaden its products range, the Group launched the "Classic Sanroy" (聖路易) series of solid wood furniture in August 2003, and the "New Nobleman" (時代新貴) series of Spanish-styled classic furniture in 2004.

[Since 2003, the Group has been offering a wide range of branded wood-based furniture products comprising classic furniture series under the brand names of "Johnston" (尊典), "Classic Sanroy" (聖路易) and "New Nobleman" (時代新貴), and modern furniture series under the brand names of "PZ-King" (品至), "Oriant" (歐瑞), "Mandarin" (世紀葵花), "Sunrays" (新銳士) (which was subsequently merged into the brand "Oriant") and "QQ Star" (智逗星) (which was subsequently merged into the brand "Oriant").]

The year of 2004 marked a number of significant developments of the Group.

To broaden its revenue base without creating pressure on the Group's production capacities, the Group established its licensing business. The Group granted non-exclusive rights to its licensees to manufacture or procure manufacturers to manufacture and sell furniture products using the brand names and product designs of "Oriant" (歐瑞), "Mandarin" (世紀葵花), "Sunrays" (新銳士) and "QQ Star" (智逗星). Such licensing business was conducted through Sharp Motion and Mr. Chan was designated by the Group to oversee the licensing business.

In order to build a nation wide corporate image and maximise the advertising and promotion efficiency of the Group's brand-building efforts, the Founders decided to consolidate the Group's individual products lines under the single corporate identity of "Hing Lee Myriad Home" (興利萬家) in 2004. In the same year, the Group successfully opened new export markets in Europe and Middle East for its wood-based furniture products.

In April 2004, with the intention to establish a holding company to consolidate their interests in various operating entities in the PRC (namely Dongguan Rich as to 78%, Shenzhen Dahao as to 65% and Shenzhen Xingli as to 100%), the Founders established the Company in the BVI. Steps of reorganisation were subsequently taken to the effect that the Company became the holding company of the operating entities mentioned above. This laid the preliminary framework for the current structure of the Group. Details of the 2004 Reorganisation are set out in the sub-paragraph headed "2004 Reorganisation" in the paragraph headed "Corporate development" in this section below. Completion of the 2004 Reorganisation took place in [November] 2004.

In [March] 2004, Mr. Sung was approached by the then managing director of Omnicorp Limited, who had been a personal acquaintance of Mr. Sung since [1998], to discuss possible investment in the Group. On 19 August 2004, an agreement was entered into between, inter alia, Talent Sino Holdings Limited, a wholly-owned subsidiary of Omnicorp Limited and the investment vehicles of the Founders for holding shares in the Company, under which Talent Sino Holdings Limited agreed to acquire approximately 51.52% of the enlarged issued share capital of the Company at a total consideration of HK$34,006,000 which was settled as to HK$[17,003,000] in cash paid to the Company and as to HK$[17,003,000] by the issue of an aggregate of [17,003,000] new shares in Omnicorp Limited to the investment vehicles of the Founders. The said consideration was arrived at after arm's length negotiation by reference to (a) the prospects of the business of the Group; (b) the potential and growth of the consumer market in the PRC for medium to high-end furniture; and (c) the guarantee given by the Founders and their investment vehicles in relation to the combined net tangible asset value of the Group upon and as at completion of the acquisition and subscription and the profit of the

Group for the year ended 31 December 2004. The acquisition of the equity interest in the Company was partly through subscription of 10,410 new shares, representing 34.70% of the then entire issued share capital of the Company before completion of the acquisition and approximately 25.76% of its then entire issued share capital immediately after completion of the subscription and partly through purchase of 10,410 existing shares from the investment vehicles of the Founders, representing 34.70% of the then entire issued share capital of Company before completion of the acquisition and approximately 25.76% of its then entire issued share capital immediately after completion of the acquisition and subscription. The said acquisition and subscription of shares in the Company was completed on 24 November 2004. Omnicorp Limited was then principally engaged in manufacture and sales of electronic components, manufacture and sales of contactless smart card and related products, general trading, property holding and investment holding. Its acquisition of interest in the Company was treated as an investment and it was not involved in the daily management of the Group. [Mr. Sung was appointed as a director of Omnicorp Limited from June 2005 to January 2007. Save for Omnicorp Limited's investment in the Company from November 2004 to July 2006, the Founders' directorship in the Group after the acquisition of the Company by Omnicorp Limited, their holding of the consideration shares issued by Omnicorp Limited through their investment vehicles and Mr. Sung being appointed as a director of Omnicorp Limited from June 2005 to January 2007, none of the Founders is considered to be connected with Omnicorp Limited and none of the Founders and their respective associates is engaged in any business relationship with Omnicorp Limited or its associates.]

In December 2004, Shenzhen Xingli Zundian was established as a wholly foreign-owned enterprise in the PRC for the purpose of taking over the business of Shenzhen Dahao, as the joint venture partner in Shenzhen Dahao, 環球工藝品有限公司 (Global Art & Crafts Limited), intended to withdraw its investment in Shenzhen Dahao upon the expiry of its business licence in 2005. [Global Art & Crafts Limited was a limited company incorporated in Hong Kong and was principally engaged in import and export of various merchandise.] Save as being a shareholder of Shenzhen Dahao prior to its dissolution, 環球工藝品有限公司 (Global Art & Crafts Limited) had no business relationship with the Founders. For details of Shenzhen Xingli Zundian taking over the business of Shenzhen Dahao, please refer to the sub-paragraph headed "The principal subsidiaries of the Company during the Track Record Period – Shenzhen Dahao (dissolved)" in the paragraph headed "Corporate development" in this section below.

In 2005, the Founders decided to shift the emphasis of the mattress business from domestic sale to export in view of the higher profit margin in the overseas markets, while the joint venture partner in Dongguan Rich preferred to maintain a strong emphasis on the market in the PRC. As a result, it was decided that Dongguan Rich would be dissolved. In October 2005, Dongguan Super Furniture was therefore established as a wholly foreign-owned enterprise in the PRC owned as to 78% by the Group to take over the business of Dongguan Rich, and expand the Group's mattress business to overseas markets. Since its incorporation, the principal business of Dongguan Super Furniture has been the manufacture and sale of mattresses to customers mainly in Japan, Middle East and Hong Kong. Please also refer to the sub-paragraph headed "The principal subsidiaries of the Company during the Track Record Period – Dongguan Super Furniture" in the paragraph headed "Corporate development" in this section below for details of shareholdings of Dongguan Super Furniture.

In the same year, the Group acquired Hing Lee Furniture (formerly known as Windsor Empire Investments Limited) as a shell company. It was established in the BVI on 1 July 2004 and was principally engaged in the export trading of home furniture products. One share was allotted and issued to Great Ample on 1 April 2005 and since then, Hing Lee Furniture remained a wholly-owned subsidiary of Great Ample.

As at the Latest Practicable Date, Shenzhen Xingli, Dongguan Super Furniture, Shenzhen Xingli Zundian, Sharp Motion and Hing Lee Furniture were the major operating subsidiaries of the Company.

In 2006, seeing the growth potential of the consumer market in the PRC for medium to high-end furniture products, Mr. Fang Shin, who was then holding approximately 2.7% of the issued capital of Omnicorp Limited, approached Omnicorp Limited and expressed interest in the Group. On 22 May 2006, Triple Express, which is ultimately wholly-owned by Mr. Fang Shin and an investment holding company specifically established to hold the shares in the Company, entered into an agreement with Talent Sino Holdings Limited to acquire from the latter approximately 51.52% interest in the Company and the shareholder's loan owed by the Company to Talent Sino Holdings Limited at a total consideration of HK$96,000,000. The said consideration was arrived at after arm's length negotiation by reference to (a) the price/earnings ratio of approximately 4.17 times based on 51.52% of the audited profit after taxation and extraordinary items and minority interests of the Company for the year ended 31 December 2005 amounting to approximately HK$67,289,000; and (b) the total outstanding principal amount of the shareholder's loan owed by the Company to Talent Sino Holdings Limited together with interest thereon calculated up to 22 May 2006 (being the date of the sale and purchase agreement) amounting to approximately HK$28,711,100. The acquisition was completed on 28 July 2006. Since then, Mr. Fang Shin, through Triple Express, became the Controlling Shareholder and was appointed as a Director from July 2006 to [29 May] 2009. Mr. Fang Shin was the president and managing director of General Electronics Limited, which went public in Hong Kong in 1987 and was subsequently privatised in [1995]. He is the president of SF Capital Limited, an investment holding company established by his family to manage different investment assets, and is also on the board of OSRAM Lighting Control Systems Limited, a joint venture company between Siemens AG and his family. None of the Founders is considered to be connected with Triple Express, Mr. Fang Shin or their respective associates and save for their respective interests in the Company, none of the Founders and their respective associates is engaged in any business relationship with Triple Express, Mr. Fang Shin or their respective associates. Details of the involvement of Triple Express and Mr. Fang Shin in the management and operation of the Group are set out in the paragraph headed "Relationship with the Controlling Shareholder" in the section headed "Business" in this document.

As a recognition to the quality of the Group's production process which it has established at its production facilities, in February 2007, Shenzhen Xingli Zundian received ISO9001:2000 certification for the establishment and application of quality system for the design and manufacture of home furniture and in January 2008, Shenzhen Xingli received ISO9001:2000 certification for the establishment and application of quality system for the design, production and sale of wood-based home furniture.

As part of the Group's long-term plans to integrate and increase its manufacturing capacity and to lower its production costs, the Group purchased Longgang Land I and Longgang Land II to house its new production facilities. On 29 June 2007, Shenzhen Xingli entered into 深圳市土地使用權出讓合同 (contract for grant of land use rights in Shenzhen) with 深圳市國土資源和房產管理局 (Shenzhen Municipal Bureau of Land Resources and Housing Management), in respect of the land use rights of Longgang Land I with a site area of approximately 43,817 sq.m. for a term of 50 years commencing from 29 June 2007 at a total consideration of RMB22,593,085 (approximately HK$[25,618,938]). The Group has planned to develop the land into Shenzhen Xingli Production Base comprising a factory building, an administration and dormitory building and a warehouse with a total planned GFA of approximately 38,869 sq.m. for its modern furniture products. The construction has been commenced in [June] 2008 and is expected to be completed in [June] 2009. The Group has commissioned Schuler Business Solutions AG, an industrial design firm based in Germany, to be responsible for the overall design of the production facilities. Trial production is expected to commence in August 2009.

On 29 June 2007, Shenzhen Xingli Zundian entered into 深圳市土地使用權出讓合同 (contract for grant of land use rights in Shenzhen) with 深圳市國土資源和房產管理局 (Shenzhen Municipal Bureau of Land Resources and Housing Management), in respect of the land use rights of Longgang Land II which is situated next to Longgang Land I with a site area of approximately 41,065 sq.m. for a term of 50 years commencing from 29 June 2007 at a total consideration of RMB21,094,404 (approximately HK$[22,609,212]). It is the Group's current plan to house new production facilities for its classic wood-based furniture on this piece of land.

In November 2007, the Group obtained banking facilities amounting to RMB70.0 million (approximately HK$[79.1] million) of which RMB60.0 million (approximately HK$[67.8] million) would be applied to the construction of its Shenzhen Xingli Production Base and RMB10 million (approximately HK$[11.3] million) would be used as general working capital of the Group.

Riding on the expansion and development of the PRC furniture industry, the Group was able to leverage on the available resources and opportunities and concurrently develop its design, processing and sales capabilities. Throughout the years, the Group has put strong efforts in marketing activities and customer service support to enhance its market penetration and establish clients network in the PRC. The Group launched various marketing efforts through a variety of channels like advertisement broadcasting on national television like the [CCTV] in 2007, roadside billboards, trade publications and newspapers as well as participation in trade fairs and exhibitions. The Group also provides sales training to its domestic distributors to strengthen the relationship between the Group and the domestic distributors. During the Track Record Period, the Group's revenue derived in the PRC recorded a CAGR of approximately 24.6%, amounting to approximately HK$175.8 million, HK$238.9 million and HK$273.0 million respectively.

In order to build up the brand names of the furniture products manufactured by the Group and to promote sales of its products to end consumers, the Group works closely with its distributors. The Group, in addition to the aforesaid marketing activities, also assists the domestic distributors to select shop location, offers shop decoration and layout advices, provides product and sales training, and, in some cases, jointly organises marketing campaigns with the distributors. As at the Latest Practicable Date, the Group contracted with [511] distributors who were operating over [600] approved shops in [22] provinces, [4] municipalities and [4] autonomous regions in the PRC.

In addition, the Group has participated in a number of international furniture fairs held in the PRC and overseas to solicit overseas customers. During the Track Record Period, the Group's overseas sales amounted to approximately HK$[193,798,000], HK$[253,738,000] and HK$[261,312,000] respectively, representing a CAGR of approximately 17%.

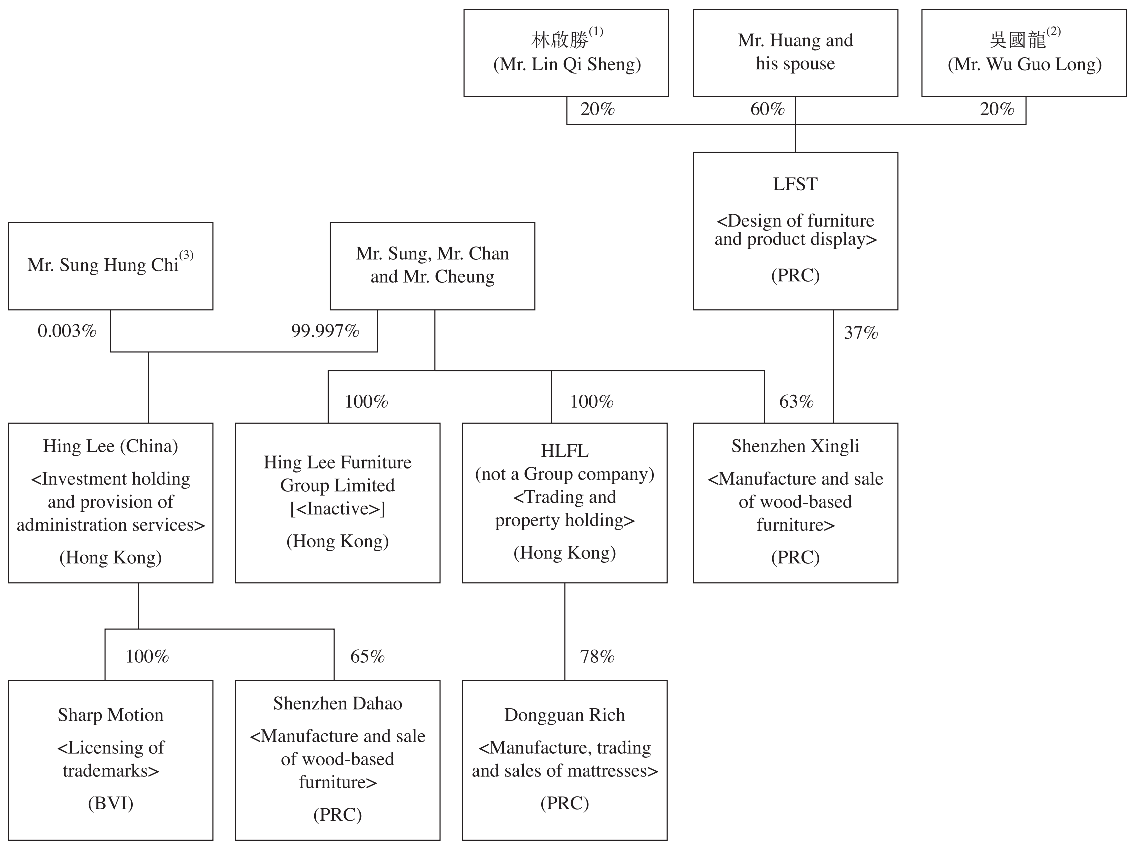
To increase its production capacity, Shenzhen Xingli Zundian acquired [three sets of drilling machines, one set of sanding machine and a UV spray-coating processing line in 2007] with its annual furniture production capacity increased from approximately 5,200 sets in 2006 to 7,700 sets in 2007 and 9,060 sets in 2008 and Dongguan Super Furniture acquired [three sets of spring coiling machines, two sets of sewing machines and an edge sewing machine] with its annual mattress production capacity increased from approximately 8,500 pieces in 2006 to 106,000 pieces in 2007. The Group has also installed various facilities to enhance its environmental protection capability. The Group (i) constructed sewage treatment facilities, (ii) installed a centralised dust vacuum system that collects dust and wooden particles generated during the production process, (iii) installed an anti-noise pollution device, (iv) installed a fully automatic UV spray-coating processing line which helps to reduce the level of air pollution and waste water discharge in spraying process; and (v) set up arrangements to deliver the residual waste after the above treatments to waste treatment professionals.

Throughout the expansion and growth of the Group's operations, the Group also constantly improves and upgrades its production quality, facilities and production techniques. A number of awards and accreditation have been received for its products, quality assurance, manufacturing processes, branding and achievements. These included 第十九屆深圳國際家具展覽會民用書房家具系列金獎 (The 19th Shenzhen International Furniture Exhibition Gold Award of Study Room Home Furniture Series) awarded by SFTA in 2006 and 中國十大家具品牌(2005-2006)－尊典，歐瑞系列產品 (Top 10 Famous Furniture Brands in China (2005-2006) – Johnston and Oriant Brand Furniture Series) awarded by 中華全國工商業聯合會家具裝飾業商會 (China Furniture & Decoration Chamber of Commerce) in 2006. The Group was also recognised for its contributions to the PRC wood-based home furniture industry, and was awarded 突出貢獻獎 (Exceptional Contributions Award) in 2004 by SFTA, and 2000-2004年度廣東省優秀家具出口企業 (Certificate of Excellent Export-Oriented Furniture Enterprise in Guangdong Province (2000-2004)) in 2005 by 廣東省家具商會 (Guangdong Furniture Chamber of Commerce). In August 2008, the Group was awarded 中國十大家具品牌－尊典，歐瑞(2007-2008) (Top 10 Famous Furniture Brands in China – Johnston and Oriant (2007-2008)) by 中華全國工商業聯合會家具裝飾業商會 (China Furniture & Decoration Chamber of Commerce).

CORPORATE DEVELOPMENT

2004 Reorganisation

Set out below is the Founders' interests in various operating entities in the PRC prior to the 2004 Reorganisation:



Notes:

1. 林啟勝 (Mr. Lin Qi Sheng) is the vice production manager of Shenzhen Xingli Zundian and is responsible for production planning of Shenzhen Xingli Zundian. 林啟勝 (Mr. Lin Qi Sheng) is not connected with any of the Founders and their respective associates.

2. 吳國龍 (Mr. Wu Guo Long) is the vice design and development manager of the Group and the general manager of Shenzhen Xingli and is responsible for overseeing the product design and development of the Group and daily operation of Shenzhen Xingli. 吳國龍 (Mr. Wu Guo Long) is not connected with any of the Founders and their respective associates. For details of 吳國龍 (Mr. Wu Guo Long)'s biography, please refer to the paragraph headed "Senior management" under the section headed "Directors, senior management and staff" in this document.

3. Mr. Sung Hung Chi is a relative of Mr. Sung. Mr. Sung Hung Chi is engaged in garment business and has not taken part in the management and operations of any member of the Group and he is not connected to any of the other three Founders and their respective associates.

In 2004, for the purpose of consolidating the then operating members of the Group's business under the Company and as a condition precedent to the completion of the acquisition and subscription by Talent Sino Holdings Limited of the shares of the Company, Glory Skill, Success Profit and Great Ample were set up and the following steps were taken [with the intention and on the basis that each of Mr. Sung, Mr. Cheung, Mr. Chan and Mr. Huang should own 26.25%, 25.25%, 25.25% and 23.25% respectively in the Company prior to the completion of the acquisition and subscription by Talent Sino Holdings Limited of the shares of the Company]:

(a) Acquisition of equity interests in Dongguan Rich by Glory Skill from HLFL

On 28 October 2004, Glory Skill entered into an equity transfer contract to acquire the 78% interest of HLFL in Dongguan Rich at a consideration of HK$6,302,400 (representing an amount equivalent to 78% of the then registered capital of Dongguan Rich) and such transfer was subsequently approved by the relevant authority on 10 November 2004. As a result, Glory Skill was deemed to be indebted to HLFL for a sum of HK$6,302,400 and on 23 November 2004, Glory Skill issued 2,960 new shares, representing 99.97% of the enlarged issued share capital of Glory Skill to HLFL in satisfaction of the said sum of HK$6,302,400.

(b) Acquisition of equity interests in Shenzhen Xingli by Success Profit from Mr. Sung, Mr. Chan, Mr. Cheung and LFST

On 28 October 2004, Success Profit entered into an equity transfer contract to acquire from Mr. Sung, Mr. Chan, Mr. Cheung and LFST their respective interests in Shenzhen Xingli, which transfer was approved by the relevant authority on 9 November 2004. LFST was then owned as to 60% in aggregate by Mr. Huang and his spouse, 20% by Mr. Lin Qi Sheng and 20% by Mr. Wu Guo Long. Mr. Lin Qi Sheng was then the vice production manager of the Group and had been the director of Shenzhen Xingli Zundian since its incorporation until April 2007, whereas Mr. Wu Guo Long was then the [vice design and development manager] of the Group and the director of Shenzhen Xingli (since January 2007) and Shenzhen Xingli Zundian (since its incorporation). For the purpose of confirming the increase of the total consideration from RMB8,000,000 to RMB9,719,128.44 and clarifying the mode of settlement of the consideration which took place after the signing of the equity transfer contract on 28 October 2004, by virtue of a deed of confirmation dated 28 November 2008 executed by Success Profit, Mr. Sung, Mr. Chan, Mr. Cheung and the then shareholders of LFST, the parties thereto confirmed that (i) the total consideration for the sale and transfer of the interests in Shenzhen Xingli was RMB9,719,128.44, being the vendors' equity of and in Shenzhen Xingli as shown in the audited accounts of Shenzhen Xingli for the year ended 31 December 2004 in which the sale and transfer took place; (ii) Success Profit had issued 2,100 new shares to each of Mr. Sung, Mr. Chan and Mr. Cheung in satisfaction of the consideration payable to them (being RMB2,041,016.82 payable to Mr. Sung and RMB2,041,016.81 payable to each of Mr. Chan and Mr. Cheung) respectively; and

(iii) the consideration payable to LFST in the sum of RMB3,596,078 was paid in cash to LFST on 28 February 2006 which amount was subsequently paid to Success Profit and applied towards the subscription of 3,700 shares in Success Profit allotted and issued to Mr. Huang on 23 November 2004 at the direction of LFST.

(c) Acquisition of interests in Hing Lee Furniture Group Limited by Sharp Motion and the acquisition of shares in Sharp Motion by Great Ample

On 23 November 2004, Sharp Motion acquired from Mr. Sung, Mr. Cheung and Mr. Chan the entire issued share capital in Hing Lee Furniture Group Limited. In consideration thereof, 1 share in the share capital of Sharp Motion was allotted and issued to each of Mr. Sung, Mr. Cheung and Mr. Chan. As a result, Hing Lee Furniture Group Limited became wholly-owned by Sharp Motion.

On the same day, the shares in Sharp Motion allotted to Mr. Sung, Mr. Cheung and Mr. Chan, together with the 1 share in the share capital of Sharp Motion then held by Hing Lee (China), were transferred to Great Ample at par value. As a result, Sharp Motion became wholly-owned by Great Ample.

(d) Acquisition of interests in Glory Skill, Success Profit and Hing Lee (China) by Great Ample

On 23 November 2004, Great Ample:

(i) acquired from HLFL its entire interest in Glory Skill and in consideration thereof and as directed by HLFL, Great Ample issued and allotted 1,300 shares to Mr. Sung, 1,200 shares to Mr. Chan and 1,200 shares to Mr. Cheung;

(ii) acquired from the Founders their respective interests in Success Profit, and in consideration thereof, Great Ample issued and allotted 2,650 shares to each of Mr. Sung, Mr. Cheung and Mr. Chan and 4,650 shares to Mr. Huang; and

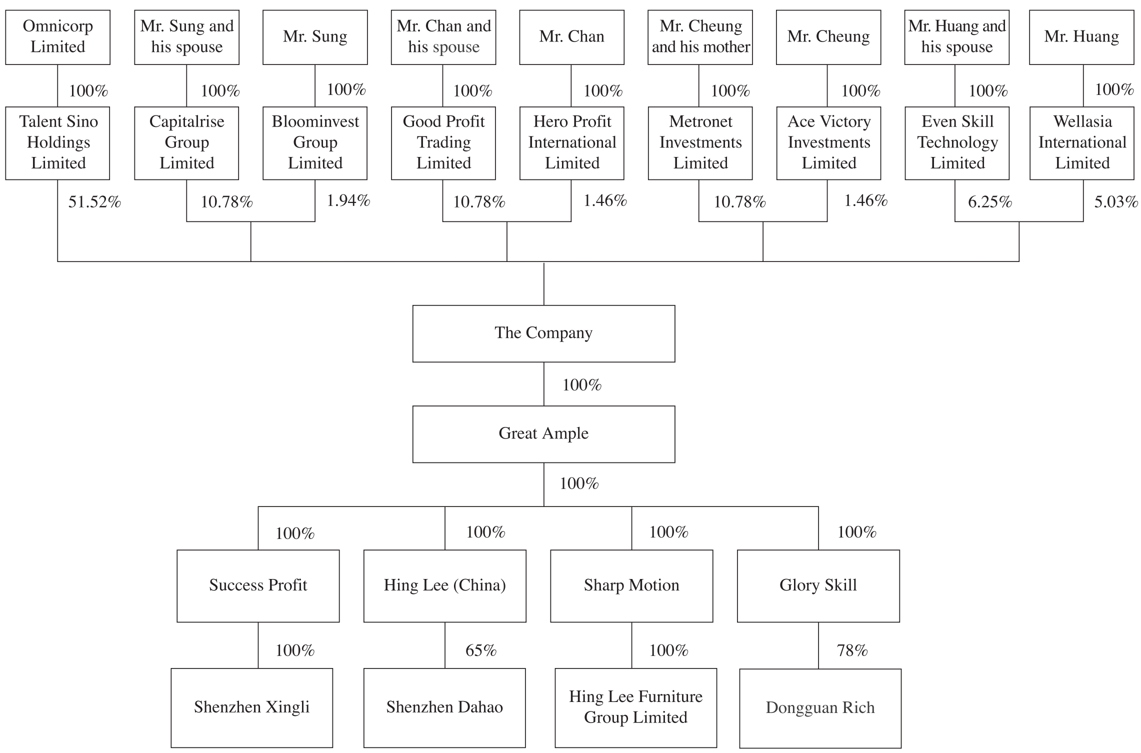
(iii) acquired from Mr. Sung, Mr. Cheung, Mr. Chan and Mr. Sung Hung Chi, a relative of Mr. Sung, their respective interests in Hing Lee (China) and in consideration thereof, Great Ample issued and allotted 1,300 shares (of which 100 shares being the entitlement of Mr. Sung Hung Chi was issued to Mr. Sung as directed by Mr. Sung Hung Chi) to Mr. Sung and 1,200 shares to each of Mr. Cheung and Mr. Chan.

As a result of the above acquisitions, Mr. Sung, Mr. Cheung, Mr. Chan and Mr. Huang were interested in 5,250 shares, 5,050 shares, 5,050 shares and 4,650 shares of Great Ample respectively, representing 26.25%, 25.25%, 25.25% and 23.25% of the issued share capital of Great Ample respectively.

(e) Acquisition of interests in Great Ample by the Company

On 23 November 2004, the Company acquired from the Founders all their interests in Great Ample after completion of the acquisitions as set out in paragraph (d) above. In consideration thereof, 5,250, 5,050, 5,050 and 4,650 shares in the Company were allotted and issued to the respective investment vehicles held by the Founders or jointly by the Founders and their respective family members.

The following chart sets out the shareholding and corporate structure of the Company immediately after the 2004 Reorganisation and the acquisition and subscription of shares in the Company by Talent Sino Holdings Limited:



In addition to the 2004 Reorganisation, set out below are some major changes to the corporate structure of the Company and its principal subsidiaries during the Track Record Period:

(i) The Company

The Company is an investment holding company incorporated in BVI on 20 April 2004 under the name of "Windsor Treasure Holdings Limited" as an international business company under the International Business Companies Act of BVI. The Company's name was changed to "Windsor Treasure Group Holdings Limited" on 7 October 2004. [In contemplation of [●],] the Company was subsequently registered as an exempted company in Bermuda on 30 March 2007 and discontinued in BVI as a BVI business company. On 3 May 2007, the Company changed its name to "HingLi Home Concepts Ltd.". On 19 November 2008, the current name of the Company "Hing Lee (HK) Holdings Limited" was adopted.

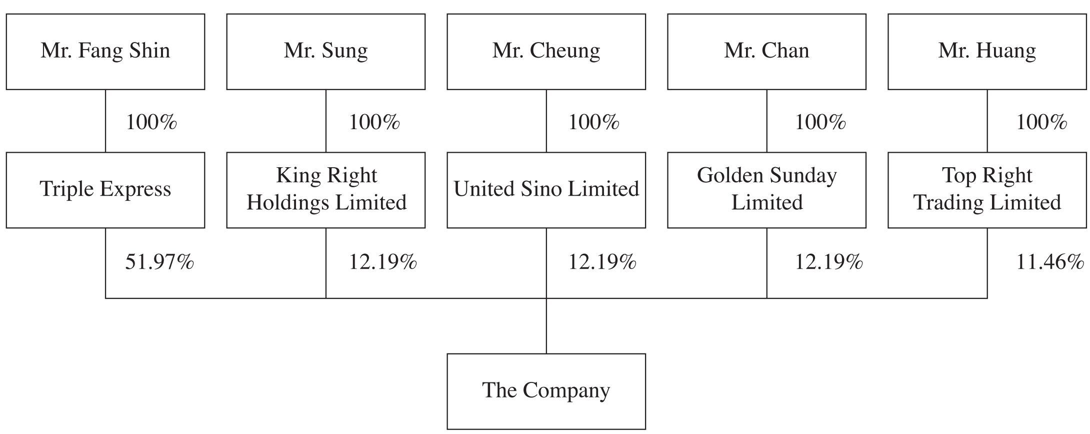
Since the incorporation of the Company and immediately before the acquisition and subscription of the shares in the Company by Talent Sino Holdings Limited, the Company was all along directly or indirectly owned by the Founders or their respective investment vehicles. On 24 November 2004, in accordance with an agreement dated 19 August 2004, Talent Sino Holdings Limited acquired approximately 51.52% of the enlarged issued share capital of the Company, partly by subscription of new shares and partly by purchase of existing shares from the investment vehicles of the Founders. The consideration for the subscription in the sum of HK$17,003,000 was paid in cash to the Company whereas the consideration for the acquisition in the total sum of HK$17,003,000 was satisfied by the issue of 17,003,000 new shares of Omnicorp Limited at an issue price of HK$1.00 each to the respective vendors. Such consideration was arrived at after arm's length negotiation between Talent Sino Holdings Limited and the vendors by reference to the prospects of the business of the Group, the potential and growth of the consumer market in the PRC for medium to high-end furniture and the guarantee given by the Founders and their investment vehicles in relation to the combined net tangible asset value of the Group upon completion of the acquisition and subscription and the profit of the Group for the year ended 31 December 2004.

On 8 June 2005, the Founders, through their respective investment vehicles, transferred in aggregate approximately 5.94% of the then issued share capital of the Company at par value to each of Capital Trinity Limited and Brilliant Team Holdings Limited which were legally owned by two employees of the Group, namely, 徐彩霞女士 (Ms. Xu Cai Xia) and 蘇毅先生 (Mr. Su Yi) respectively.

徐彩霞女士 (Ms. Xu Cai Xia) was the administration supervisor and also the assistant to Mr. Chan while 蘇毅先生 (Mr. Su Yi) was the assistant to Mr. Sung during the Track Record Period. The purpose of the share transfer was to retain talents in the Group for its long-term development. The Founders reached an understanding with 徐彩霞女士 (Ms. Xu Cai Xia), 蘇毅先生 (Mr. Su Yi) and 8 members of the Group's senior management that the Founders would transfer approximately 5.94% of the then issued share capital of the Company to each of the investment vehicles legally owned by 徐彩霞女士 (Ms. Xu Cai Xia) and 蘇毅先生 (Mr. Su Yi), which would act as nominees to hold such interest in the Company for 徐彩霞女士 (Ms. Xu Cai Xia) and 蘇毅先生 (Mr. Su Yi) and on behalf of the 8 members of the senior management, and once options in the Company's shares were granted to them, 徐彩霞女士 (Ms. Xu Cai Xia) and 蘇毅先生 (Mr. Su Yi) would be expected to procure their respective investment vehicles to transfer the shares back to the Founders. Save for the grant of share options by the Company to them, both of 徐彩霞女士 (Ms. Xu Cai Xia) and 蘇毅先生 (Mr. Su Yi) received no economic benefits from the above arrangement. [In 2006, a share option scheme was adopted by the Company and options were granted by the Company to each of 徐彩霞女士 (Ms. Xu Cai Xia), 蘇毅先生 (Mr. Su Yi) and the 8 members of the senior management (which were subsequently replaced by options conditionally granted under [●]) on 31 December 2006. On 31 January 2007, the entire equity interests of Capital Trinity Limited and Brilliant Team Holdings Limited in the Company were transferred back to the investment vehicles of Mr. Chan, Mr. Cheung and Mr. Huang at par.]

On 28 July 2006, in accordance with an agreement dated 22 May 2006, Talent Sino Holdings Limited disposed of its approximately 51.52% interest in the Company and the shareholder's loan owed by the Company to Talent Sino Holdings Limited to Triple Express at a total consideration of HK$96,000,000. The consideration was arrived at after arm's length negotiation by reference to (a) in respect of the consideration for the shares, the price/earnings ratio of approximately 4.17 times based on 51.52% of the audited profit after taxation and extraordinary items and minority interests of the Company for the year ended 31 December 2005; and (b) the total outstanding principal amount of the shareholder's loan together with interest thereon calculated up to 22 May 2006. The shareholder's loan of HK$27,500,000 was subsequently capitalised and Triple Express's shareholding in the Company was increased to approximately 60.54% as a result thereof.

On 31 January 2007, Triple Express reduced its shareholding in the Company to approximately 51.97% by disposing of approximately 8.56% thereof to the investment vehicles of Mr. Sung and Mr. Cheung for a consideration of HK$6,781,436 and HK$6,894,031 respectively, which was calculated at HK$3,217 per share, being the average price per share paid by Triple Express for its acquisition of interests in the Company in 2006. In addition, the Founders also transferred their interests in the Company to their other investment vehicles at par, subsequent to which the simplified shareholding structure of the Company as at the Latest Practicable Date and immediately before [●] is as follows:



(ii) The principal subsidiaries of the Company during the Track Record Period

Dongguan Rich (dissolved)

Prior to its dissolution, Dongguan Rich was principally engaged in manufacturing and trading mattresses with sales in both the PRC and overseas. It was established in the PRC as a sino-foreign equity joint venture enterprise on 21 September 1993 and laid the foundation for the Group's business development.

Dongguan Rich was initially owned as to 60% by Mr. Sung, Mr. Cheung and Mr. Chan, through HLFL and as to 40% by Changping Development, with a registered capital of RMB8,280,000. The equity interests of HLFL and Changping Development in Dongguan Rich were subsequently changed to 55% and 45% respectively following a reduction of registered capital of Dongguan Rich in 1995 from HK$8,280,000 to HK$5,430,000.

In July 1996, Changping Development transferred its entire interests in Dongguan Rich as to 30% to Dahao Furniture and 15% to Changping Industry and ceased to be a shareholder of Dongguan Rich. Dongguan Rich was then held as to 55% by HLFL, 30% by Dahao Furniture and 15% by Changping Industry.

To cope with the expansion of business, the registered capital of Dongguan Rich was increased to RMB8,080,000, which was approved in August 2000. In May 2002, the disposal by Dahao Furniture of its interests in Dongguan Rich as to 23% to HLFL and 7% to Changping Industry at a consideration of HK$[1,858,400] and HK$[565,000] respectively was approved by the relevant authority, subsequent to which Dongguan Rich was held as to 78% by HLFL and 22% by Changping Industry. The said consideration was based on the then registered capital of Dongguan Rich.

As part of the 2004 Reorganisation, the entire equity interests of HLFL in Dongguan Rich were transferred to Glory Skill. In 2005, the Founders decided to shift the emphasis of the mattress business from domestic sale to export in view of the higher profit margin in the overseas markets, while the joint venture partner in Dongguan Rich preferred to maintain a strong emphasis on the market in the PRC. As a result, it was decided that Dongguan Rich would be dissolved. Resolutions were passed for the dissolution of Dongguan Rich on 14 September 2005 and Dongguan Rich was voluntarily dissolved on 20 October 2006.

Prior to the dissolution of Dongguan Rich, the Group established Dongguan Super Furniture to continue the mattress business of Dongguan Rich, and Dongguan Rich transferred its machineries and production facilities to Dongguan Super Furniture pursuant to two sale and purchase contracts dated 1 November 2005 and 26 December 2005 respectively at cash considerations of approximately RMB2,760,000 and RMB1,350,000. No surplus was recorded after all the outstanding liabilities of Dongguan Rich were settled under the dissolution process. No liabilities or contractual obligations of Dongguan Rich have been transferred to Dongguan Super Furniture prior to the former's dissolution. Nor had there been any formal transfer of employees, suppliers and customers of Dongguan Super Furniture, though Dongguan Super Furniture engaged former suppliers, served former customers and employed [certain] former employees of Dongguan Rich after the dissolution of Dongguan Rich.

The Directors confirmed that the dissolution of Dongguan Rich did not result in the Group or Directors being subject to any contingent liability, obligation or claim imposed against any of them.

Shenzhen Dahao (dissolved)

Prior to its dissolution, Shenzhen Dahao was principally engaged in the manufacture and sale of wood-based furniture. It was established in the PRC as a sino-foreign equity joint venture enterprise on 18 December 1995 and owned as to 65% by Hing Lee (China) and as to 35% by Dahao Furniture.

In June 2002, the disposal by Dahao Furniture of its equity interests in Shenzhen Dahao to Global Art & Crafts Limited, an Independent Third Party, was approved by the relevant authority. In August 2005, Global Art & Crafts Limited intended to withdraw its investment in Shenzhen Dahao upon the expiry of its business licence on 18 December 2005. Therefore, resolutions were passed for the dissolution of Shenzhen Dahao on 26 August 2005 and Shenzhen Dahao was voluntarily dissolved on 31 December 2006.

Prior to the dissolution of Shenzhen Dahao, the Group established Shenzhen Xingli Zundian to continue the furniture business of Shenzhen Dahao, and Shenzhen Dahao transferred its production facilities, machineries and inventories to certain members of the Group. Pursuant to a sale and purchase contract dated 15 November 2005, Shenzhen Dahao transferred its production facilities and machineries to Shenzhen Xingli Zundian at a cash consideration of approximately RMB5,600,000. The inventories of Shenzhen Dahao were transferred to Shenzhen Xingli pursuant to a sale and purchase contract dated 18 November 2005 at a cash consideration of approximately RMB18,530,000 and its raw materials were transferred to Shenzhen Xingli Zundian pursuant to a sale and purchase contract dated 30 November 2005 at a cash consideration of approximately RMB[7,220,000]. The trademark and patent of Shenzhen Dahao were also transferred to Hing Lee (China) at a consideration of approximately RMB[7,830,000] pursuant to a transfer contract dated 25 December 2006. No liabilities or contractual obligations of Shenzhen Dahao were transferred to Shenzhen Xingli Zundian prior to the former's dissolution. Nor had there been any formal transfer of employees, suppliers and customers of Shenzhen Dahao, though Shenzhen Xingli Zundian engaged former suppliers, served former customers and employed certain former employees of Shenzhen Dahao after the dissolution of Shenzhen Dahao.

As a result of the above asset transfers, the Group was able to resume the manufacture of classic series furniture products under the brand name of "Johnston" originally conducted by Shenzhen Dahao, without any major interruption after re-hiring the factory workers of Shenzhen Dahao. This was evidenced by the continuous growth in the sales of furniture products under the "Johnston" brand during the Track Record Period.

Immediately prior to the dissolution of Shenzhen Dahao, Dahao Furniture, a former shareholder of Shenzhen Dahao, was indebted to Shenzhen Dahao in the amount of approximately HK$7.8 million and to the Group in the amount of approximately HK$3.7 million. In view of the pending dissolution of Shenzhen Dahao and the financial difficulties which Dahao Furniture was encountering, the Directors considered that the possibility of recovering the above receivables from Dahao Furniture was remote. Therefore, the Group wrote off approximately HK$8.8 million (comprising the Group's 65% share in Shenzhen Dahao's HK$7.8 million receivable due from Dahao Furniture and the HK$3.7 million receivable directly due to the Group by Dahao Furniture) in 2006.

[The Directors confirmed that the dissolution of Shenzhen Dahao did not result in the Group or the Directors being subject to any contingent liability, obligation or claim imposed against any of them.]

Shenzhen Xingli

Shenzhen Xingli is principally engaged in the manufacture and sale of wood-based furniture. It was established in the PRC as a sino-foreign equity joint venture enterprise on 16 December 2002. The initial registered capital and total investment amount were both RMB8,000,000, of which RMB2,960,000 (representing 37% of the registered capital) was contributed by LFST and RMB5,040,000 (representing approximately 63% of the registered capital) was contributed by Mr. Sung, Mr. Chan and Mr. Cheung on an equal basis.

As part of the 2004 Reorganisation, Shenzhen Xingli became a wholly-owned subsidiary of Success Profit and a wholly foreign-owned enterprise.

On 2 December 2004, the increase of the registered capital and total investment amount of Shenzhen Xingli to RMB30,000,000 was approved by the relevant authority. The registered capital and total investment amount were further increased to RMB60,000,000 and RMB112,000,000 respectively, which was approved by the relevant authority on 27 February 2006.

The interests of Success Profit in Shenzhen Xingli were transferred to another member of the Group, namely Hanmix, at a consideration of RMB1,000,000 pursuant to an agreement dated 28 December 2007, and the approval with respect thereto was obtained from the relevant authority on 16 May 2008.

Dongguan Super Furniture

Dongguan Super Furniture is engaged in the business of manufacture and sale of mattresses. It was established in the PRC as a wholly foreign-owned enterprise on 14 October 2005 in order to take up the mattress business of Dongguan Rich which was to be dissolved. The initial registered capital and total investment amount were both US$1,000,000, of which US$780,000 (representing 78% of the registered capital) was contributed by a member of the Group, namely Springrich Investments, and US$220,000 (representing approximately 22% of the registered capital) was contributed by Cheernew Investments Limited. Cheernew Investments Limited was incorporated on 30 March 2005 in BVI with limited liability and principally engaged in investment holding. [Save for its interest in Dongguan Super Furniture, it has no business relationship with the Founders.] Pursuant to two sale and purchase contracts dated 1 November 2005 and 26 December 2005, Dongguan Super Furniture paid RMB3,760,000 and RMB1,350,000 for the machineries and product facilities of Dongguan Rich respectively. Dongguan Super Furniture resumed the mattress business on the same factory premises formerly used by Dongguan Rich after employing certain ex-employees of Dongguan Rich.

On 2 April 2007, the increase of the registered capital and total investment amount of Dongguan Super Furniture to US$1,680,000 was approved by the relevant authority. Pursuant to an agreement dated 28 December 2007, the interests of Springrich Investments and Cheernew Investments Limited in Dongguan Super Furniture were transferred by them to

Hander International (which is owned as to 78% by Springrich Investments and as to 22% by Cheernew Investments Limited), the approval with respect thereto was obtained from the relevant authority on 30 May 2008.

As at the Latest Practicable Date, Dongguan Super Furniture was indirectly owned as to 78% by Springrich Investments and as to 22% by Cheernew Investments Limited.

Shenzhen Xingli Zundian

Shenzhen Xingli Zundian is principally engaged in the manufacture and sale of wood-based furniture. It was established in the PRC as a wholly foreign-owned enterprise on 28 December 2004 to take up the furniture business of Shenzhen Dahao which was to be dissolved due to the expiry of its business licence. The initial registered capital and total investment amount were both RMB10,000,000 and the entire registered capital was contributed by Hing Lee (China).

After paying Shenzhen Dahao RMB5,600,000 and RMB7,220,000 for purchasing the production facilities and the raw materials respectively, Shenzhen Xingli Zundian resumed the furniture business on the same factory premises as formerly used by Shenzhen Dahao.

On 5 March 2007, the increase of registered capital and total investment amount to RMB40,000,000 and RMB100,000,000 respectively was approved by the relevant authority.

Sharp Motion

Sharp Motion is principally engaged in the licensing of trademarks of the Group in the PRC. It was established in BVI on 2 January 2003. On the same day, 1 share was allotted and issued to Hing Lee (China). The principal business of Sharp Motion is licensing non-exclusive rights to furniture manufacturers for use of the brand names and product designs owned by the Group.

As part of the 2004 Reorganisation, on 23 November 2004, 1 share in the share capital of Sharp Motion was allotted and issued to each of Mr. Sung, Mr. Cheung and Mr. Chan respectively in consideration for the transfer of their interests in Hing Lee Furniture Group Limited to them. On the same day, the shares in Sharp Motion allotted to Mr. Sung, Mr. Cheung and Mr. Chan, together with the 1 share then held by Hing Lee (China) in Sharp Motion, were transferred to Great Ample at par value.

Hing Lee Furniture

Hing Lee Furniture (formerly known as Windsor Empire Investments Limited) is engaged in the export trading of the products of the Group to overseas markets. It was established in BVI on 1 July 2004. One share was allotted and issued to Great Ample on 1 April 2005 and since then, Hing Lee Furniture remained a wholly-owned subsidiary of Great Ample.

The Directors confirmed that:

(a) the Group had obtained all the relevant approvals regarding all its acquisitions, disposals and dissolutions of companies, as disclosed in the paragraph headed "Corporate development" in this section; and

(b) the issued share capital or (in respect of companies incorporated in the PRC) the registered capital and the increased registered capital of the companies comprising the Group had been duly paid up and in the required manner save and except for the instances listed below:

(i) a delay of 3 months by Mr. Sung and Mr. Cheung in making the first contribution to the registered capital of Shenzhen Xingli in 2003;

(ii) the ratio regarding the increase in the investment amount and the registered capital of Shenzhen Xingli Zundian in 2007 were not in accordance with 關於中外合資經營企業註冊資本與投資總額比例的暫行規定 (Tentative Provisions for the Proportion of Registered Capital to Total Amount of Investment of Sino-foreign Equity Joint Ventures), which were applicable to wholly foreign-owned enterprises;

(iii) no filing had been made to the Industry and Commerce Bureau by Dongguan Super Furniture in relation to the first contribution made by its shareholders to the registered capital; and

(iv) a delay of 14 days in making the first contribution to the increased registered capital of Dongguan Super Furniture in accordance with 關於外商投資的公司審批登記管理法律適用若干問題的執行意見 (Executive Opinions on Some Issues Concerning the Application of Law Governing the Examination, Approval and Registration of Foreign Invested Enterprises) in 2007.

According to the PRC Legal Advisers, as Shenzhen Xingli and Dongguan Super Furniture had obtained their respective business licences after making the relevant required contributions, both Shenzhen Xingli and Dongguan Super Furniture would not be subject to any penalty as a result of the late payments in respect of the above [and it was also unlikely for Dongguan Super Furniture to be subject to any penalty due to the non-filing of its first capital contribution as mentioned above]. The PRC Legal Advisers further opined that as Shenzhen Xingli Zundian had obtained the approval regarding the increase in the investment amount and the registered capital from the relevant authorities and had also obtained the business licence, Shenzhen Xingli Zundian would not be subject to any penalty.