The following is the full text of a report, prepared for the purpose of incorporation in this document, received from the independent reporting accountants of the Company, Moore Stephens, Certified Public Accountants, Hong Kong.

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[●]

The Directors
Hing Lee (HK) Holdings Limited

Dear Sirs,

We set out below our report on the financial information relating to Hing Lee (HK) Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") including the consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group for each of the three years ended 31 December 2006, 2007 and 2008 (the "Track Record Period") and the consolidated balance sheets of the Group as at 31 December 2006, 2007 and 2008, together with explanatory notes thereto (the "Financial Information") for inclusion in the document of the Company dated [●] (the "Document"), in connection with [●].

The Company was incorporated in the British Virgin Islands ("BVI") under the name of Windsor Treasure Holdings Limited on 20 April 2004 as an exempted company with limited liability under the International Business Companies Act (Cap.291) and changed its name to Windsor Treasure Group Holdings Limited on 7 October 2004. On 30 March 2007 [●] the Company was re-domiciled and continued in Bermuda with limited liability under the Companies Act 1981 of Bermuda and on 3 May 2007, its name was changed from Windsor Treasure Group Holdings Limited to HingLi Home Concepts Limited. On 19 November 2008, the Company's name was changed from HingLi Home Concepts Limited to Hing Lee (HK) Holdings Limited.

Pursuant to a corporate reorganisation (the "2004 Reorganisation"), as detailed in the paragraph headed "Corporate development" in the section headed "History and corporate development" in this document, which was completed on 23 November 2004, the Company became the holding company of the subsidiaries now comprising the Group, details of which are set out in a following section. The Company has not carried on any business since the date of its incorporation, and no separate audited financial statements have been prepared as there were no statutory audit requirements under the relevant rules and regulations in its respective jurisdictions of incorporation or place of re-domicile. We have, however, performed an independent audit of all relevant transactions of the Company for the Track Record Period.

As at the date of this report, the Company had direct or indirect interests in the following subsidiaries, all of which are private companies, particulars of which are set out below:

Name of company	Place and date of incorporation/ registration	Issued and fully paid-up/ registered capital	Equity interest attributable to the Group as at 31 December 2006	2007	2008	Date of this report	Principal activities
Great Ample Holdings Limited ("Great Ample") *(note (a))*	BVI 22 July 2004	US$20,001	100%	100%	100%	100%	Investment holding
Glory Skill Investments Limited *(note (a))*	BVI 28 July 2004	US$2,961	100%	100%	100%	100%	Investment holding
Springrich Investments Limited *(note (a))*	BVI 7 July 2005	US$1	100%	100%	100%	100%	Investment holding
Success Profit International Limited *(note (a))*	BVI 28 July 2004	US$10,001	100%	100%	100%	100%	Investment holding
Hing Lee (China) Company Limited ("Hing Lee (China)") *(note (b))*	Hong Kong 23 December 1992	HK$18,010,000	100%	100%	100%	100%	Investment holding and the provision of management services *(note (f))*
Hing Lee Furniture Company Limited ("Hing Lee Furniture") *(note (b))*	BVI 1 July 2004	US$1	100%	100%	100%	100%	Trading of furniture
Sharp Motion Worldwide Limited ("Sharp Motion") *(note (a))*	BVI 2 January 2003	US$4	100%	100%	100%	100%	Trademark holding/ licensing
Hing Lee Ideas Limited *(note (a))*	Malaysia 3 January 2008	US$1	N/A	N/A	100%	100%	Dormant
Renowned Idea Group Limited *(note (a))*	BVI 8 June 2005	US$1	100%	100%	100%	100%	Dormant
Hing Lee Furniture Group Limited ("HLFG") *(note (b))*	Hong Kong 9 January 2004	HK$3	100%	100%	100%	100%	Dormant
Hander International Limited ("Hander International") *(note (c))*	Hong Kong 12 November 2007	HK$100	N/A	78%	78%	78%	Investment holding
Hanmix Limited ("Hanmix") *(note (c))*	Hong Kong 15 November 2007	HK$1	N/A	100%	100%	100%	Investment holding

Name of company	Place and date of incorporation/ registration	Issued and fully paid-up/ registered capital	Equity interest attributable to the Group as at 31 December 2006	2007	2008	Date of this report	Principal activities
深圳興利尊典家具有限公司 (Shenzhen Xingli Zundian Furniture Company Limited)* ("Shenzhen Xingli Zundian") *(note (d))*	The People's Republic of China ("PRC") 28 December 2004	RMB40,000,000	100%	100%	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 (d))*	PRC 16 December 2002	RMB60,000,000	100%	100%	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 (e))*	PRC 14 October 2005	US$1,680,000	78%	78%	78%	78%	Manufacture and sale of bed mattresses

東莞富豪家具有限公司 (Dongguan Rich Furniture Company Limited)* ("Dongguan Rich") and 深圳大豪興利家具實業有限公司 (Shenzhen Dahao Xingli Furniture Industrial Company Limited)* ("Shenzhen Dahao") were dissolved on 20 October 2006 and 31 December 2006 respectively. The equity interest in Dongguan Rich and Shenzhen Dahao during the Track Record Period and immediately before the date of completion of its dissolution was 78% and 65% respectively.

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 three years ended 31 December 2006, 2007 and 2008 were audited by Moore Stephens.

(c) The financial statements of these companies were audited by Moore Stephens since their incorporation.

(d) The financial statements of these foreign investment enterprises for the three years ended 31 December 2006, 2007 and 2008 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.

(e) The financial statements of this foreign investment enterprise for the three years ended 31 December 2006, 2007 and 2008 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.

(f) The management services provided by Hing Lee (China) to the Group 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.

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

Basis of preparation

The Financial Information has been prepared by the directors of the Company based on the audited financial statements, or where appropriate, the unaudited management accounts of the companies comprising the Group and in accordance with accounting policies and on the basis as referred to Section B2, which are in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Respective responsibilities of directors and reporting accountants

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information and the contents of the Document in which this report is included. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of Financial Information that is 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.

It is our responsibility to form an independent opinion, based on our audit, on the Financial Information and to report our opinion to you.

Basis of opinion

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out independent audit procedures in respect of the Financial Information for the Track Record Period in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the Financial Information is free from material misstatement. In addition, we have carried out such additional procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

We have not audited any financial statements of the companies in respect of any period subsequent to 31 December 2008.

Opinion

In our opinion, the Financial Information for the Track Record Period prepared on the basis of presentation set out in Section B2 below gives, for the purpose of this report, a true and fair view of the consolidated results, consolidated statements of changes in equity and consolidated cash flows of the Group for the Track Record Period and of the state of affairs of the Group as at 31 December 2006, 2007 and 2008 and of the state of affairs of the Company as at 31 December 2006, 2007 and 2008.

A FINANCIAL INFORMATION

Consolidated Income Statements

		Year ended 31 December		
		2006	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	*5*	369,626	492,669	[534,346]
Cost of sales		(299,526)	(396,438)	[(433,344)]
Gross profit		70,100	96,231	[101,002]
Other income	*5*	2,304	1,962	[1,989]
Selling and distribution expenses		(18,441)	(27,453)	[(35,533)]
Administrative expenses		(22,594)	(28,490)	[(33,348)]
Profit from operating activities	*6*	31,369	42,250	[34,110]
Finance costs	*8*	(481)	(18)	[(70)]
Profit before taxation		30,888	42,232	[34,040]
Taxation	*9*	(2,137)	(1,803)	[(3,251)]
Profit for the year		28,751	40,429	[30,789]
Attributable to:				
Equity holders of the Company		28,103	40,192	[30,746]
Minority interests		648	237	[43]
Profit for the year		28,751	40,429	[30,789]
Dividends	*10*	–	17,276	3,971
Basic earnings per share (HK cents)	*11*	[●]	[●]	[●]

Consolidated Balance Sheet

		As at 31 December		
		2006	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current assets				
Property, plant and equipment	*12*	16,292	26,432	[74,438]
Prepaid lease payments	*13*	–	46,489	[48,857]
Available-for-sale investments	*14*	–	–	[4,648]
		16,292	72,921	[127,943]
Current assets				
Prepaid lease payments	*13*	–	959	[1,029]
Inventories	*15*	39,451	56,973	[67,447]
Trade receivables	*16*	71,645	38,920	[34,562]
Prepayments, deposits and other receivables	*17*	28,457	32,759	[24,041]
Amounts due from directors	*18*	3,678	–	[–]
Time deposit		–	2,680	[–]
Restricted bank deposits	*19*	–	–	[9,929]
Bank balances and cash	*20*	73,887	85,192	[88,208]
		217,118	217,483	[225,216]
Current liabilities				
Trade payables	*21*	80,176	67,338	[61,221]
Other payables and accruals	*22*	15,267	48,983	[34,188]
Current portion of secured bank loans	*23*	–	–	[11,441]
Amounts due to directors	*18*	810	–	[–]
Amount due to a related company	*24*	–	–	[749]
Current tax payable	*25*	2,077	3,333	[3,834]
		98,330	119,654	[111,433]
Net current assets		118,788	97,829	[113,783]
Total assets less current liabilities		135,080	170,750	[241,726]

		As at 31 December		
		2006	**2007**	**2008**
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current liabilities				
Non-current portion of secured bank loans	*23*	–	–	[32,372]
		–	–	[32,372]
Net assets		135,080	170,750	[209,354]
Equity				
Share capital	*26(a)*	387	387	[387]
Reserves	*26(b)&(c)*	132,275	166,297	[204,622]
Equity attributable to equity holders of the Company		132,662	166,684	[205,009]
Minority interests		2,418	4,066	[4,345]
Total equity		135,080	170,750	[209,354]

Consolidated Statements of Changes in Equity

	Attributable to equity holders of the Company									
	Share capital *(note 26(a))* *HK$'000*	Share premium *(note 26(b))* *HK$'000*	Exchange reserve *(note 26(c)(i))* *HK$'000*	Statutory reserve fund *(note 26(c)(ii))* *HK$'000*	Merger reserve *(note 26(c)(iii))* *HK$'000*	Share option reserve *(note 26(c)(iv))* *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Minority interests *HK$'000*	Total equity *HK$'000*
1 January 2006	315	16,922	934	12	25,521	–	31,385	75,089	3,999	79,088
Capital injection	72	27,428	–	–	–	–	–	27,500	–	27,500
Exchange realignment	–	–	2,073	–	–	–	–	2,073	46	2,119
Transfer from retained profits	–	–	–	2,105	–	–	(2,105)	–	–	–
Disposal of an indirect subsidiary	–	–	–	(12)	(91)	–	–	(103)	(3,732)	(3,835)
Capital contribution by minority shareholder	–	–	–	–	–	–	–	–	1,457	1,457
Profit for the year	–	–	–	–	–	–	28,103	28,103	648	28,751
31 December 2006	387	44,350	3,007	2,105	25,430	–	57,383	132,662	2,418	135,080
1 January 2007	387	44,350	3,007	2,105	25,430	–	57,383	132,662	2,418	135,080
Exchange realignment	–	–	8,629	–	–	–	–	8,629	175	8,804
Transfer from retained profits	–	–	–	1,542	–	–	(1,542)	–	–	–
Capital contribution by minority shareholder	–	–	–	–	–	–	–	–	1,236	1,236
Dividends paid *(note 10)*	–	–	–	–	–	–	(17,276)	(17,276)	–	(17,276)
Equity-settled share option arrangements	–	–	–	–	–	2,477	–	2,477	–	2,477
Profit for the year	–	–	–	–	–	–	40,192	40,192	237	40,429
31 December 2007	387	44,350	11,636	3,647	25,430	2,477	78,757	166,684	4,066	170,750
1 January 2008	387	44,350	11,636	3,647	25,430	2,477	78,757	166,684	4,066	170,750
Exchange realignment	–	–	[8,917]	–	–	–	–	[8,917]	[236]	[9,153]
Transfer from retained profits	–	–	–	[2,103]	–	–	[(2,103)]	–	–	–
Dividends paid *(note 10)*	–	–	–	–	–	–	[(3,971)]	[(3,971)]	–	[(3,971)]
Equity-settled share option arrangements	–	–	–	–	–	[2,633]	–	[2,633]	–	[2,633]
Profit for the year	–	–	–	–	–	–	[30,746]	[30,746]	[43]	[30,789]
31 December 2008	[387]	[44,350]	[20,553]	[5,750]	[25,430]	[5,110]	[103,429]	[205,009]	[4,345]	[209,354]

Consolidated Cash Flow Statements

	Note	Year ended 31 December 2006 HK$'000	2007 HK$'000	2008 HK$'000
Cash flows from operating activities				
Profit before taxation		30,888	42,232	[34,040]
Adjustments for:				
Interest income		(266)	(338)	[(373)]
Interest expense		189	–	[70]
Dividend received from equity-investments at fair value through profit or loss		–	–	[(302)]
Dividend received from available-for-sale investments		–	–	[(58)]
Gain on disposal of equity-investments at fair value through profit or loss		–	–	[(797)]
Depreciation		2,848	3,938	[5,628]
Change in fair value of equity-investments at fair value through profit or loss		–	–	[974]
Impairment of available-for-sale investments		–	–	[2,714]
Amortisation of prepaid lease payments		–	479	[1,028]
Loss on disposal of property, plant and equipment		88	56	[47]
Impairment of trade receivables recognised/(reversed)		4,441	(913)	[(1,509)]
Impairment for inventories		2,000	501	[2,165]
Equity-settled share option expenses		–	2,477	[2,633]
Trademarks and patents expenses (a)		2,742	–	[–]
Write-off of other receivables (b)	6	8,885	–	[–]
Waiver of interest on loan from the Company's holding company (c)		(569)	–	[–]
Operating profit before working capital changes		51,246	48,432	[46,260]
Decrease/(increase) in inventories		1,903	(18,023)	[(12,639)]
(Increase)/decrease in trade receivables		(25,416)	33,638	[5,867]
(Increase)/decrease in prepayments, deposits and other receivables		(2,353)	(4,302)	[8,718]
(Increase)/decrease in amounts due from directors		(3,678)	3,678	[–]
Increase/(decrease) in trade payables		44,740	(12,838)	[(6,117)]
(Decrease)/increase in other payables and accruals		(13,891)	10,136	[8,785]
Increase/(decrease) in amounts due to directors		784	(810)	[–]
Increase in amount due to a related company		–	–	[749]
Cash generated from operations		53,335	59,911	[51,623]
Interest received		266	338	[373]
Interest paid		(189)	–	[(70)]
PRC enterprises income tax paid		(544)	(547)	[(2,750)]
Net cash generated from operating activities		52,868	59,702	[49,176]

	Notes	Year ended 31 December 2006 HK$'000	2007 HK$'000	2008 HK$'000
Cash flows from investing activities				
(Increase)/decrease in time deposit		–	(2,680)	[2,680]
Increase in restricted bank deposits		–	–	[(9,929)]
Dividends received from equity-investments at fair value through profit or loss		–	–	[360]
Payments to acquire property, plant and equipment		(3,432)	(13,168)	[(52,800)]
Purchase of equity-investments at fair value through profit or loss		–	–	[(39,809)]
Increase in prepaid lease payments		–	(47,927)	[(718)]
Proceeds from disposal of property, plant and equipment		95	466	[692]
Proceeds from disposal of equity-investments at fair value through profit or loss		–	–	[32,270]
Net cash used in investing activities		(3,337)	(63,309)	[(67,254)]
Cash flows from financing activities				
Capital contribution by minority shareholder		1,457	1,236	[–]
New secured bank loans		–	–	[45,357]
Repayment of secured bank loans		(9,615)	–	[(1,544)]
Dividends paid		–	(17,276)	[(3,971)]
Dividends paid to minority shareholder		(3,732)	–	[–]
Advance from independent third party for prepaid lease payments	*22(i)*	–	23,580	[–]
Repayment of advance from independent third party for prepaid lease payments	*22(i)*	–	–	[(23,580)]
Net cash (used in)/generated from financing activities		(11,890)	7,540	[16,262]
Net increase/(decrease) in cash and cash equivalents		37,641	3,933	[(1,816)]
Cash and cash equivalents at the beginning of the year		34,869	73,887	[85,192]
Effect of foreign exchange rate changes, net		1,377	7,372	[4,832]
Cash and cash equivalents at the end of the year		73,887	85,192	[88,208]
Analysis of balance of cash and cash equivalents				
Bank balances and cash	*20*	73,887	85,192	[88,208]

Major non-cash transactions

(a) Subsequent to the dissolution of Shenzhen Dahao in December 2006, Hing Lee (China) acquired certain patent rights and trademarks from the 35% shareholder of Shenzhen Dahao at the consideration of HK$2,742,000, which was settled by way of setting off the amount owing by Shenzhen Dahao to Hing Lee (China). Such patent rights and trademarks were expended during the year ended 31 December 2006.

(b) Immediately prior to the dissolution of Shenzhen Dahao, Shenzhen Dahao Furniture Industrial Company Limited ("Dahao Furniture"), an ex-shareholder of Shenzhen Dahao, was indebted to the Group in the amount of approximately HK$3.7 million and to Shenzhen Dahao in the amount of approximately HK$7.8 million, representing the net sharing of the assets and liabilities of Shenzhen Dahao.

In view of the pending dissolution of Shenzhen Dahao and the financial difficulties encountered by Dahao Furniture, the directors of the Company considered that the possibility of recovering the above receivables from Dahao Furniture was remote. Therefore, the Group wrote off approximately HK$8.8 million (expended to income statement during the year), comprising the HK$3.7 million receivable due from Dahao Furniture directly to the Group in 2006 and the Group's 65% share, representing the equity interest attributable to the Group, in Shenzhen Dahao's HK$7.8 million receivable due from Dahao Furniture amounting to HK$5.1 million. Shenzhen Dahao did not have any assets or liabilities other than the receivables due from Dahao Furniture immediately prior to its dissolution.

The directors confirmed that the Group has no other relationship with Dahao Furniture and any connected persons of Dahao Furniture other than being an ex-shareholder of Shenzhen Dahao.

(c) During the year ended 31 December 2006, 9,234 ordinary shares were issued at HK$2,978 per share by capitalising the loan in the amount of HK$27,500,000 owing by the Company to Triple Express Enterprises Limited ("Triple Express"), the Company's holding company and the interest accrued thereon of HK$569,178 was waived by Triple Express.

The consideration at HK$2,978 per share was arrived at after an arm's length negotiation process with reference to the consideration per share paid by Triple Express for its acquisition of the Company's interest from Talent Sino Holdings Limited ("Talent Sino").

B NOTES TO THE FINANCIAL INFORMATION

1. GROUP REORGANISATION

The Company was incorporated in the BVI on 20 April 2004 and re-domiciled in Bermuda on 30 March 2007. The registered office address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. Particulars of the companies comprising the Group have been set in the foregoing section. 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.

In the opinion of the directors, the ultimate holding company of the Company is Triple Express Enterprises Limited, which is incorporated in the BVI.

The principal activities of the Group are the design, manufacturing, sale and marketing of home furniture and bed mattresses and licensing of own brand names.

In order to rationalise the structure of the Company and its subsidiaries in the preparation for the acquisition of 51.52% of the Company's shares by Talent Sino, the Company underwent a corporate reorganisation and became the holding company of its subsidiaries on 23 November 2004 (the "2004 Reorganisation"). The Group is regarded as a continuing entity resulting from the 2004 Reorganisation since all entities which took part in the reorganisation exercise were controlled by the same group of founders. Therefore, immediately after the 2004 Reorganisation, there was a continuation of risks and benefits to the founders that existed prior to the reorganisation. The 2004 Reorganisation was accounted for as a reorganisation under common control which is scoped out from HKFRS 3 "Business Combinations" which the Group early adopted in preparing its first financial statements for the period ended 31 December 2004. Therefore, the Group could account for the reorganisation using the principles of merger accounting since the reorganisation was under common control. In applying merger accounting, financial statement items of the combining entities or businesses during the 2004 Reorganisation in which the common control combination occurs are included in the then consolidated financial statements of the combined entity as if the combination had occurred from the date when the combining entities or businesses first came under the control of the controlling party or parties. Subsequent to the 2004 Reorganisation, there have been no material acquisitions or disposals of subsidiaries.

The consolidated income statements, consolidated statements of changes in equity and consolidated cash flow statements of the Group as set out in Section A include the results of operations of the Group companies for the Track Record Period. The consolidated balance sheets of the Group as at 31 December 2006, 2007 and 2008 have been prepared to present the state of affairs of the Group companies as at the respective dates.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The Financial Information has been prepared in accordance with all applicable HKFRS, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, HKASs and Interpretations issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance.

The Financial Information is presented in Hong Kong dollars ("HK$"), which is the functional currency of the Company, with all values rounded to the nearest thousand except when otherwise indicated. It is prepared on the historical cost basis except for equity-investments, which have been measured at fair value.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective during the year.

HKFRSs (Amendments)	Improvements to HKFRS and Improvements to HKFRSs 2009[1]
HKFRS 1 (Revised) and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 Amendments	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 Amendments	Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments[4]
HKFRS 8	Operating Segments[2]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 Amendments	Eligible Hedged Items[3]
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Embedded Derivatives[4]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate[2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation[5]
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfers of Assets from Customers[3]

1 Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

2 Effective for annual periods beginning on or after 1 January 2009

3 Effective for annual periods beginning on or after 1 July 2009

4 Effective for annual periods beginning on or after 1 July 2008

5 Effective for annual periods beginning on or after 1 October 2008

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, it has concluded that while the adoption of HKFRS 8 and HKAS 1 (Revised) may result in new or amended disclosures and the adoption of HKFRS 3 (Revised), HKAS 27 (Revised) and HKAS 23 (Revised) may result in changes in accounting policies, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

Basis of consolidation

The Financial Information includes the financial statements of the Company and its subsidiaries for the Track Record Period.

The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control cease. All significant intra-group transactions and balances have been eliminated on consolidation.

Minority interests represent the interests of outside equity holders not held by the Group in the results and net assets of the Company's subsidiaries.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiary are included in the Company's income statement to the extent of dividends received and receivable. The Company's investment in a subsidiary is stated at cost less any impairment losses.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, financial assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the income statement in the period in which it arises.

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and impairment loss, if any.

The cost of an item of property, plant and equipment (an "item") comprises its purchase price and any directly attributable costs of bringing the item to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When, in the opinion of the directors, the recoverable amounts of property, plant and equipment have impaired below their carrying amounts, provisions are made to write down the carrying amounts of such assets to their recoverable amounts. Reductions of the carrying value are charged to the income statement.

The gain or loss on disposal or retirement of an item recognised in the income statement is the difference between the sale proceeds and the carrying amount of the relevant item, and is recognised in the income statement.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each item, less the estimated residual value, if any, over the estimated useful life. 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%

Both the useful life of an item and its residual value, if any, are reviewed annually.

Prepaid lease payments

All land in the PRC is stated-owned or collectively-owned and no individual land ownership right exists. The Group acquired the right to use certain land. The premiums paid for such right are treated as prepayment for operating lease and recorded as prepaid lease payments, which are amortised over the lease terms using the straight-line method.

Operating leases

Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to the income statement 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 assets. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals, if any, are charged to the income statement in the accounting period in which they are incurred.

Financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when a group entity becomes a party to be contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

Financial assets

The Group's financial assets are classified into one of the three categories, namely financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the near future; or it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in the income statement in the period in which they arise. The net gain or loss recognised in the income statement does not include any dividend or interest earned on the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables, time deposit, restricted bank deposits, bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments of which interest income is included in net gains or losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. The Group designated listed equity as available-for-sales financial assets.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Unrealised gains or losses (except for changes in exchange rates for monetary items, interest, dividends and impairment losses which are recognised in the income statement) are recognised in equity until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is taken to the income statement.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for-sale equity investment, a significant or prolonged decline in the fair value of that investment below its costs is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payment in the portfolio past the average credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in the income statement when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in the income statement. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the income statement.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through the income statement to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in the income statement in subsequent periods. Any increase in the fair value of available-for-sale equity-investments subsequent to an impairment loss being recognised is credited directly to equity.

Financial liabilities

Financial liabilities include secured bank loans, trade and other payables, accruals and other monetary liabilities. All financial liabilities are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, they are subsequently measured at amortised cost using the effective interest method.

Financial guarantee contracts

Financial guarantee contracts in the scope of HKAS 39 are accounted for as financial liabilities. A financial guarantee contract is recognised initially at its fair value less transaction costs that are directly attributable to the acquisition or issue of the financial guarantee contract, except when such contract is recognised at fair value through profit or loss. Subsequent to initial recognition, the Group measures the financial guarantee contract at the higher of: (i) the amount of the best estimate of the expenditure required to settle the present obligation at the balance sheet date; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 Revenue.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in the profit or loss.

Trademarks and patents

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

Inventories

Inventories are valued at the lower of cost, on the weighted average basis, and net realisable value after making due impairment for any obsolete or slow moving items. In the case of finished goods and work in progress, costs includes direct materials, direct labour, sub-contracting charges and, where applicable, production overheads. Net realisable value is determined by reference to estimated selling prices less all further costs to be incurred in selling and distribution.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, 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, less advances from banks repayable within three months from the date of the advance.

Provisions

Provisions are recognised for liabilities of uncertain timing or amount when the Group 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.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the income statement.

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.

Taxation

Taxation represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible. The Group's liability for the current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary difference can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the assets to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(i) sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement associated with ownership, nor effective control over the goods sold;

(ii) licensing income, when the right to receive payment is established;

(iii) interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(iv) dividends income, when the shareholders' right to receive payment is established.

Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution plans and the cost of non-monetary benefits are accrued in the period 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.

The Group also operates a defined contribution retirement benefits scheme: Mandatory Provident Fund ("MPF") Scheme under the Mandatory Provident Fund Schemes Ordinance in Hong Kong. The MPF Scheme requires both the Group and the employees to contribute 5% of the employees' monthly gross earnings with a ceiling of HK$1,000 per month. When an employee leaves the scheme, the Group's mandatory contribution vests fully with the employee. The contributions payable to the MPF Scheme are charged to the income statement as incurred.

The employees of the Group's subsidiaries which operate in the PRC are required to participate in a defined contribution retirement benefits 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.

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.

Equity compensation benefit

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 Binomial 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.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the income statement for the period of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On the 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 share option 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 share option 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).

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 assets. Other borrowing costs are expended 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 qualifying 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 sales are interrupted or complete.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currency translation

Items included in the Financial Information of each individual group entity are measured using Hong Kong dollars, Renminbi or United States dollar which are the currencies that determine the pricing of the transactions that the individual group entity undertakes (the "functional currency").

Transactions in currencies other than an entity's functional currency are initially recorded by the entity at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on the translation of monetary items and settlement of monetary items are included in the income statement.

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 transaction 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. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the Financial Information, the assets and liabilities of the PRC subsidiaries are translated into the presentation currency of the Company (i.e. Hong Kong dollars) at rates of exchange ruling at the balance sheet date, and their income and expenses are translated at the average exchange rates for each year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates ruling at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange reserve).

On disposal of a subsidiary, the cumulative amount of the exchange differences recognised in equity which relate to that foreign operation is included in the calculation of the profit or loss on disposal.

Related parties

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 decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence;

(ii) the party is a member of the key management personnel of the Group or its parent;

(iii) the party is a close member of the family of any individual referred to in (i) or (ii);

(iv) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (ii) or (iii); or

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

3. CRITICAL ACCOUNTING JUDGMENTS AND ESTIMATES

The selection of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the Financial Information. The Group believes the following critical accounting policies involve the most significant judgments and estimates used in the preparation of the Financial Information.

(i) Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. 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.

(iv) Income tax provision

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.

4. SEGMENT REPORTING

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products sold. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Home furniture:	the design, manufacture, sale and marketing of home furniture and bed mattresses
Branded distribution:	licensing of own brand names

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Business segments

	Year ended 31 December 2006		
	Home furniture	**Branded distribution**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Sales of furniture	342,227	–	342,227
Licensing income	–	27,399	27,399
Total	342,227	27,399	369,626
Segment result	6,041	23,373	29,414
Other income			2,304
Interest expense			(481)
Corporate and unallocated expenses			(349)
Profit before taxation			30,888
Taxation			(2,137)
Profit before minority interests			28,751
Assets			
Segment assets	195,487	26,675	222,162
Corporate and unallocated assets			11,248
			233,410
Liabilities			
Segment liabilities	90,908	–	90,908
Corporate and unallocated liabilities			7,422
			98,330
Other information			
Depreciation	2,848	–	2,848
Impairment of trade receivables	441	4,000	4,441
Impairment for inventories	2,000	–	2,000
Loss on disposal of property, plant and equipment	88	–	88
Write-off of other receivables	8,885	–	8,885
Capital expenditure	3,432	–	3,432

	Year ended 31 December 2007		
	Home furniture	**Branded distribution**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Sales of furniture	464,760	–	464,760
Licensing income	–	27,909	27,909
Total	464,760	27,909	492,669
Segment result	11,482	33,882	45,364
Other income			1,962
Corporate and unallocated expenses			(5,094)
Profit before taxation			42,232
Taxation			(1,803)
Profit before minority interests			40,429
Assets			
Segment assets	273,221	16,007	289,228
Corporate and unallocated assets			1,176
			290,404
Liabilities			
Segment liabilities	112,588	–	112,588
Corporate and unallocated liabilities			7,066
			119,654
Other information			
Depreciation and amortisation	4,417	–	4,417
Impairment of trade receivables recognised/(reversed)	5,066	(5,979)	(913)
Impairment for inventories	501	–	501
Loss on disposal of property, plant and equipment	56	–	56
Capital expenditure	[61,095]	–	[61,095]

	Year ended 31 December 2008		
	Home furniture	**Branded distribution**	**Consolidated**
	HK$'000	*HK$'000*	*HK$'000*
Sales of furniture	[515,399]	[–]	[515,399]
Licensing income	[–]	[18,947]	[18,947]
Total	[515,399]	[18,947]	[534,346]
Segment result	[20,496]	[19,604]	[40,100]
Other income	[–]	[–]	[1,192]
Interest expenses			[(70)]
Corporate and unallocated expenses			[(7,182)]
Profit before taxation			[34,040]
Taxation			[(3,251)]
Profit before minority interests			[30,789]
Assets			
Segment assets	[327,854]	[10,641]	[338,495]
Corporate and unallocated assets			[14,664]
			[353,159]
Liabilities			
Segment liabilities	[136,637]	[16]	[136,653]
Corporate and unallocated liabilities			[7,152]
			[143,805]
Other information			
Depreciation and amortisation	[6,656]	[–]	[6,656]
Impairment of trade receivables reversed	[819]	[690]	[1,509]
Impairment for inventories	[2,165]	[–]	[2,165]
Loss on disposal of property, plant and equipment	[47]	[–]	[47]
Change in fair value of equity-investments at fair value through profit or loss	[–]	[–]	[974]
Impairment of available-for-sale investments	[–]	[–]	[2,714]
Gain on disposal of equity-investments at fair value through profits or loss	[–]	[–]	[797]
Capital expenditure	[53,518]	[–]	[53,518]

Geographical segments

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Asia (excluding PRC)	127,850	172,942	[176,896]
Europe	24,817	32,287	[35,370]
PRC	175,829	238,931	[273,034]
Others	41,130	48,509	[49,046]
Revenue from external customers	**369,626**	**492,669**	**[534,346]**

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Asia (excluding PRC)	59,330	33,666	[52,981]
Europe	10,751	4,292	[2,680]
PRC	138,161	251,820	[293,416]
Others	25,168	626	[4,082]
Segment assets	**233,410**	**290,404**	**[353,159]**

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Asia (excluding PRC)	49	2,070	[12]
Europe	–	–	[–]
PRC	3,383	59,025	[53,506]
Others	–	–	[–]
Capital expenditure	**3,432**	**[61,095]**	**[53,518]**

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

5. TURNOVER AND OTHER INCOME

Turnover represents gross invoiced sales, less returns, trade discounts and value added tax, and licensing income. An analysis of turnover and other income is as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Turnover			
Sales of goods	342,227	464,760	[515,399]
Licensing income	27,399	27,909	[18,947]
	369,626	492,669	[534,346]
Other income			
Bank interest income	266	338	[373]
Dividend income *(i)*	1,125	–	[360]
Exchange gain, net	–	1,190	[–]
Gain on disposal of equity-investment at fair value through profit or loss	–	–	[797]
Waiver of interest on loan from the Company's holding company	569	–	[–]
Others *(ii)*	344	434	[459]
	2,304	1,962	[1,989]
Total turnover and other income recognised during the year	371,930	494,631	[536,335]

(i) The 2006 amount represents the net of the investment in Shenzhen Dahao and the recoupment from its dissolution in 2006. The 2008 amount represents dividend income from equity-investments at fair value through profit or loss.

(ii) Others include gain on disposal of property, plant and equipment and scrapped materials.

6. PROFIT FROM OPERATING ACTIVITIES

Profit from operating activities is arrived at after charging/(crediting):

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Cost of inventories sold	297,526	395,937	[431,179]
Depreciation	2,848	3,938	[5,628]
Operating lease rentals			
– land and buildings	8,141	8,466	[8,976]
Auditors' remuneration			
– current year provision	394	567	[1,200]
– prior year underprovision	–	162	[–]
Staff costs			
– directors' emoluments *(note 7)*	3,138	7,712	[5,448]
– wages and salaries	19,127	28,963	[39,596]
– equity-settled share option expenses	–	1,304	[1,383]
– pension scheme contribution	1,695	3,956	[3,239]
Impairment of trade receivables recognised/(reversed)	4,441	(913)	[(1,509)]
Impairment for inventories	2,000	501	[2,165]
Trademarks and patents expenses	2,742	–	[–]
Write-off of other receivables	8,885	–	[–]
Waiver of interest on loan from the Company's holding Company	(569)	–	[–]
Amortisation of prepaid lease payments	–	479	[1,028]
Exchange loss, net	698	–	[394]
Loss on disposal of property, plant and equipment	88	56	[47]
Provision for tax surcharge and penalty	–	2,661	[–]
Gain on disposal of equity-investments at fair value through profit or loss	–	–	[(797)]
Change in fair value of equity-investments at fair value through profit or loss	–	–	[974]
Impairment of available-for-sale investments	–	–	[2,714]

7. DIRECTORS' EMOLUMENTS

Details of directors' emoluments are as follows:

Year ended 31 December 2006

	Directors' fees	Salaries	Bonus	Share options	Retirement scheme contributions	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Directors						
Sung Kai Hing	–	1,002	–	–	12	1,014
Cheung Kong Cheung	–	1,002	–	–	12	1,014
Chan Kwok Kin	–	1,098	–	–	12	1,110
Huang Wei Ye	–	–	–	–	–	–
Au Hoi Tsun, Peter	–	–	–	–	–	–
Sung Yan Wai	–	–	–	–	–	–
Hui Tung Wah	–	–	–	–	–	–
	–	3,102	–	–	36	3,138

Year ended 31 December 2007

	Directors' fees HK$'000	Salaries HK$'000	Bonus HK$'000	Share options HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Directors						
Sung Kai Hing	–	1,002	600	271	12	1,885
Cheung Kong Cheung	–	1,002	600	271	12	1,885
Chan Kwok Kin	–	1,108	400	271	12	1,791
Huang Wei Ye	–	1,337	400	271	34	2,042
Fang Shin	–	–	–	–	–	–
Fang Yan Zau, Alexander	–	–	–	–	–	–
Li Sui Lin, Alice	–	–	–	–	–	–
	–	4,449	2,000	1,084	70	7,603
Independent non-executive director						
Sun Jian	20	–	–	89	–	109
	20	–	–	89	–	109

Year ended 31 December 2008

	Directors' fees HK$'000	Salaries HK$'000	Bonus HK$'000	Share options HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Directors						
Sung Kai Hing	[–]	[1,002]	[–]	[271]	[12]	[1,285]
Cheung Kong Cheung	[–]	[1,002]	[–]	[271]	[12]	[1,285]
Chan Kwok Kin	[–]	[1,002]	[–]	[271]	[12]	[1,285]
Huang Wei Ye	[–]	[1,102]	[–]	[271]	[13]	[1,386]
Fang Shin	[–]	[–]	[–]	[–]	[–]	[–]
Fan Yan Zau, Alexander	[–]	[–]	[–]	[–]	[–]	[–]
Li Sui Lin, Alice	[–]	[–]	[–]	[–]	[–]	[–]
	[–]	[4,108]	[–]	[1,084]	[49]	[5,241]
Independent non-executive director						
Sun Jian	[40]	[–]	[–]	[167]	[–]	[207]
	[40]	[–]	[–]	[167]	[–]	[207]

An analysis of directors' emoluments by the number of directors and emolument range is as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	Number of directors	*Number of directors*	*Number of directors*
Nil to HK$1,000,000	4	4	[4]
HK$1,000,001 to HK$1,500,000	3	–	[4]
HK$1,500,001 to HK$2,000,000	–	3	[–]
HK$2,000,001 to HK$2,500,000	–	1	[–]

During the Track Record Period, no amount was paid or payable by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office. There was also no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

Individuals with highest emoluments

Of the five individuals with the highest emoluments, Mr. Sung Kai Hing, Mr. Cheung Kong Cheung and Mr. Chan Kwok Kin were directors during the years ended 31 December 2006, 2007 and 2008. In addition, Mr. Huang Wei Ye was a director during the years ended 2007 and 2008. Their emoluments are disclosed in note 7 above. The aggregate of the emoluments in respect of the remaining individuals are as follows:

	Years ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other emoluments	399	695	[745]
Discretionary bonuses	–	–	[–]
Retirement scheme contributions	9	12	[12]
	408	707	[757]

An analysis of their emoluments by number of employees and emolument range is set out below:

	Years ended 31 December		
	2006	**2007**	**2008**
Nil to HK$1,000,000	2	1	[1]

No emoluments have been paid to these individuals as an inducement to join or upon joining the Group or as compensation for loss of office during the Track Record Period.

8. FINANCE COSTS

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Long-term borrowing interest expense	–	–	[2,279]
Short-term borrowing interest expense	189	–	[70]
Total borrowing costs	189	–	[2,349]
Less: interest capitalised *(i)*	–	–	[(2,279)]
	189	–	[70]
Bank charges	292	–	[–]
Others	–	18	[–]
	481	18	[70]

(i) The interest capitalisation rate of the long-term borrowings is 0%, 0% and 100% for the years ended 31 December 2006, 2007 and 2008 respectively.

9. TAXATION

Taxation in the consolidated income statements represents:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Current year provision			
– Hong Kong profits tax	1,455	752	[174]
– PRC enterprises income tax	228	1,051	[3,112]
Prior year underprovision/(overprovision)			
– Hong Kong profits tax	454	–	[(31)]
– PRC enterprises income tax	–	–	[(4)]
	2,137	1,803	[3,251]

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

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Profit before taxation	30,888	42,232	[34,040]
Tax at applicable Hong Kong profits tax rate	5,405	7,391	[5,617]
Tax effect of expenses that are not deductible in determining taxable profits *(v)*	3,770	1,966	[2,447]
Tax effect of income that is not taxable in determining taxable profits *(vi)*	(5,663)	(5,944)	[(3,780)]
Tax effect of different tax rates of subsidiaries operating in the PRC	(1,740)	(1,498)	[(1,031)]
Tax effect of accelerated tax allowance	–	(182)	[45]
Tax effect of utilisation of tax losses not recognised previously	(89)	(5)	[(171)]
Prior year underprovision/(overprovision)	454	–	[(35)]
Others	–	75	[159]
Taxation	2,137	1,803	[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 the year ended 2008 is calculated at 16.5% (2006 and 2007: 17.5%) of the estimated assessable profits for each respective year.

(iii) Hing Lee Ideas Limited is subject to Company Income Tax in Malaysia. No provision is made during the Track Record Period as it has been dormant since its incorporation.

(iv) Prior to 1 January 2008, 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稅法》(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稅減免審批表》(the Dongguan Municipal Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises) issued by 廣東省東莞市國家稅務局 (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.

Prior to 1 January 2008, Shenzhen Xingli and 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 Longgang) 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 profits 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 18% in 2008.

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. Shenzhen Xingli Zundian was entitled to a 50% tax reduction in the PRC EIT of 15% for the year 2007. Under the New EIT Law, it is expected that Shenzhen Xingli Zundian will be entitled to a 50% reduction of the PRC EIT rate of 18% and 20% for the year 2008 and 2009 respectively.

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

(vi) It mainly represents the tax effect of licensing income earned by Sharp Motion.

Details of unrecognised deferred tax assets at the balance sheet date are as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Excess of tax allowances over depreciation	6	188	[45]
Tax losses	(731)	(725)	[(513)]
	(725)	(537)	[(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.

10. DIVIDENDS

Dividends recognised as distributions:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Interim dividend paid during the year	–	5,957	[3,971]
Final dividend paid during the year	–	11,319	[–]
	–	17,276	[3,971]

11. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity holders of the Company during the Track Record Period and on the basis of [●] shares of the Company in issue and issuable as at the date of the Document.

[There were no potential dilutive ordinary shares in existence during the Track Record Period and, therefore, no diluted earnings per share amounts have been presented.]

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Motor vehicles	Office equipment	Plant and machinery	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost						
1 January 2006	1,874	2,481	1,600	23,498	–	29,453
Exchange realignment	67	45	37	585	–	734
Additions	40	234	261	2,897	–	3,432
Disposals	–	(68)	–	(135)	–	(203)
31 December 2006 and 1 January 2007	1,981	2,692	1,898	26,845	–	33,416
Exchange realignment	147	113	100	1,496	–	1,856
Additions	346	2,300	480	10,042	–	13,168
Disposals	–	(571)	(28)	(95)	–	(694)
31 December 2007 and 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)]
31 December 2008	[3,161]	[4,386]	[2,940]	[41,733]	[49,068]	[101,288]
Depreciation						
1 January 2006	564	1,338	939	11,360	–	14,201
Exchange realignment	18	3	10	64	–	95
Charge for the year	388	218	214	2,028	–	2,848
On disposals	–	(4)	–	(16)	–	(20)
31 December 2006 and 1 January 2007	970	1,555	1,163	13,436	–	17,124
Exchange realignment	71	23	37	293	–	424
Charge for the year	488	387	321	2,742	–	3,938
On disposals	–	(144)	(10)	(18)	–	(172)
31 December 2007 and 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]
On disposals	[–]	[(278)]	[(14)]	[(351)]	[–]	[(643)]
31 December 2008	[2,241]	[2,584]	[1,913]	[20,112]	[–]	[26,850]
Net book value						
31 December 2008	[920]	[1,802]	[1,027]	[21,621]	[49,068]	[74,438]
31 December 2007	945	2,713	939	21,835	–	26,432
31 December 2006	1,011	1,137	735	13,409	–	16,292

As at 31 December 2008, the Group had pledged its construction in progress amounting approximately to [HK$49,068,000] to secure general banking facilities granted to the Group (note 23).

13. PREPAID LEASE PAYMENTS

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

	HK$'000
Cost	
1 January 2006 and 2007	–
Additions	47,927
31 December 2007 and 1 January 2008	47,927
Exchange realignment	[2,776]
Additions	[718]
31 December 2008	[51,421]
Amortisation	
1 January 2006 and 2007	–
Charge for the year	479
31 December 2007 and 1 January 2008	479
Exchange realignment	[28]
Charge for the year	[1,028]
31 December 2008	[1,535]
Net book value	
31 December 2008	[49,886]
31 December 2007	47,448

An analysis for reporting purposes is as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Current portion	–	959	[1,029]
Non-current portion	–	46,489	[48,857]
	–	47,448	[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.

As at 31 December 2007 and 31 December 2008, the Group had pledged its leasehold land with carrying values of HK$24,693,000 and [HK$25,596,000] to secure general banking facilities granted to the Group respectively (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.

14. AVAILABLE-FOR-SALE INVESTMENTS

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Listed equity-investments, at market value			
– Hong Kong	–	–	[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 is 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 consider that the reclassification of the investments is allowed under the amendments made to HKAS 39 and HKFRS 7 "Reclassification of Financial Assets" issued by the HKICPA in October 2008 which is retrospectively effective from 1 July 2008 and made the reclassification on 1 August 2008.

[As at [3 June] 2009, the market value of the above equity-investments was approximately HK$[●].]

15. INVENTORIES

	As at 31 December 2006		
	At cost	**At net realisable value**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	7,046	–	7,046
Work in progress	8,312	–	8,312
Finished goods	8,580	15,513	24,093
	23,938	15,513	39,451

	As at 31 December 2007		
	At cost	**At net realisable value**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	9,731	158	9,889
Work in progress	8,533	–	8,533
Finished goods	37,303	1,248	38,551
	55,567	1,406	56,973

	As at 31 December 2008		
	At cost	**At net realisable value**	**Total**
	HK$'000	*HK$'000*	*HK$'000*
Raw materials	[5,859]	[–]	[5,859]
Work in progress	[7,745]	[–]	[7,745]
Finished goods	[53,843]	[–]	[53,843]
	[67,447]	[–]	[67,447]

The movement of impairment for inventories is as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	1,340	3,340	[3,841]
Impairment for inventories	2,000	501	[2,165]
At 31 December	3,340	3,841	[6,006]

16. TRADE RECEIVABLES

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	78,755	45,117	[39,250]
Less: impairment of trade receivables	(7,110)	(6,197)	[(4,688)]
	71,645	38,920	[34,562]

Trade receivables are non-interest bearing and are generally on 30 to 60 days' terms.

The aging analysis of trade receivables is as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within 3 months	42,600	30,539	[28,218]
3 months to 6 months	9,071	5,806	[4,605]
6 months to 12 months	960	2,487	[1,519]
Over 1 year	19,014	88	[220]
	71,645	38,920	[34,562]

The directors consider that the carrying amounts of trade receivables approximate to their fair values.

The movement of impairment of trade receivables is as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	2,669	7,110	[6,197]
Impairment for doubtful debts recognised/(reversed)	4,441	(913)	[(1,509)]
At 31 December	7,110	6,197	[4,688]

The aging analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Past due but not impaired			
Within 3 months	15,892	9,704	[5,300]
3 months to 6 months	9,061	3,717	[4,605]
6 months to 12 months	946	453	[1,519]
Over 1 year	–	46	[220]
	25,899	13,920	[11,644]

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.

17. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Prepayments and deposits *(i)*	18,463	22,239	[18,406]
Other receivables *(ii)*	9,994	10,520	[5,635]
	28,457	32,759	[24,041]

(i) Included in prepayments and deposits, HK$16,082,000, HK$12,458,000 and HK$4,189,000 are advance payments to contracted manufacturers and suppliers as at 31 December 2006, 2007 and 2008, respectively. [The amounts were fully utilised subsequent to the respective balance sheet date.]

The prepayments and deposits account also includes capital expenditure deposits, prepaid expenses, rental and utility deposits.

(ii) Other receivables primarily consist of VAT recoverable and staff advances for daily operations.

The directors consider that the carrying amounts of prepayments, deposits and other receivables approximate to their fair values.

18. AMOUNTS DUE FROM/(TO) DIRECTORS

Details of the amounts due from/(to) directors of the Group are disclosed as follows:

Name of directors	Chan Kwok Kin	Cheung Kong Cheung	Sung Kai Hing	Huang Wei Ye
Balance				
– at 31 December 2008	[–]	[–]	[–]	[–]
– at 31 December 2007	–	–	–	–
– at 31 December 2006	HK$1,789,000	HK$1,889,000	HK$(127,000)	HK$(683,000)
Maximum balance outstanding				
– at 31 December 2008	[–]	[–]	[–]	[–]
– at 31 December 2007	HK$1,789,000	HK$1,889,000	–	–
– at 31 December 2006	HK$1,789,000	HK$1,889,000	N/A	N/A

The amounts due from the directors mainly represent directors' advances for the purpose of purchasing plant and machinery on behalf of the Group and advances of business trips expenses. The amounts due to the directors mainly represent cash advances provided to the Group and dividends payable to the directors.

The above balances with the directors are non-trade in nature, unsecured, non-interest bearing and were fully settled by cash in 2007. There was no provision made against the principal amounts of these advances at 31 December 2006, 2007 and 2008.

Mr. Chan Kwok Kin and Mr. Huang Wei Ye resigned as directors of the Company on [29 May 2009]. However, they will remain as a member of the senior management of the Group.

19. RESTRICTED BANK DEPOSITS

Included in the restricted bank deposit of approximately HK$[9,629,000] was a settlement guarantee 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$300,000] represent deposits pledged by the Group to secure general banking facilities granted to Hing Lee Furniture.

20. BANK BALANCES AND CASH

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Bank deposit	–	–	[7,755]
Balances in bank	73,675	85,187	[80,434]
Cash on hand	212	5	[19]
	73,887	85,192	[88,208]

Bank deposit bears interest at an effective interest rate of [0.4%] per annum as at 31 December 2008.

The average effective interest rate for "balances in bank" are 2.50%, 1.00% and [0.54]% for the years ended 31 December 2006, 2007 and 2008.

Bank balances and cash are denominated in the following currencies:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Hong Kong dollars	17,224	22,794	[6,794]
Renminbi	44,940	48,487	[56,931]
United States dollars	11,723	13,911	[24,483]
	73,887	85,192	[88,208]

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.

21. TRADE PAYABLES

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Trade payables	80,176	67,338	[61,221]

Aging analysis of trade payables is as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within 3 months	72,363	63,027	[56,880]
3 months to 1 year	5,511	3,930	[3,995]
Over 1 year	2,302	381	[346]
	80,176	67,338	[61,221]

Trade payables are non-interest bearing and are normally settled on 30-90 days credit terms. The directors consider that the carrying amounts of trade payables approximate to their fair values.

22. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Other payables *(i)*	1,690	3,938	[3,430]
Accruals *(ii)*	5,332	7,822	[11,359]
Provision for tax surcharge and penalty *(iii)*	–	2,661	[2,661]
Deposits received *(iv)*	8,245	10,982	[16,738]
Advance from an independent third party *(v)*	–	23,580	–
	15,267	48,983	[34,188]

(i) The other payables account includes payables for exhibitions and VAT payables.

(ii) Accruals mainly consist of accrual for various recurring operating expenses.

(iii) As detailed in the paragraph headed "The Group has a record of non-compliance with the Inland Revenue Ordinance" in the section headed "Risk factors", one of the subsidiaries, Hing Lee Furniture failed to notify the Inland Revenue Department of Hong Kong (the "IRD") of its chargeability to tax within the prescribed time limit for the years of assessment of 2005/2006, 2006/2007 and 2007/2008. The directors of Hing Lee Furniture made voluntary disclosure to the IRD on 15 October 2008 and final assessments have been issued by the IRD in January 2009. The tax accountant advises that Hing Lee Furniture's voluntary disclosure might bear additional surcharge and penalty, and accordingly, provision totalling HK$2,661,000, representing 100% of the tax undercharged, was made.

(iv) Deposits received solely represent trade deposits received from local and overseas customers.

(v) An advance of RMB22,000,000 (equivalent to HK$23,580,000) is payable to a member of the Shenzhen Furniture Trade Association, an independent third party, for the purchase of a land use right located at Kengzi Town, Longgang Industrial Area, Shenzhen, the PRC. In the opinion of the PRC legal advisers of the Group, the advance to the Group does not constitute a loan arrangement under PRC laws [and is not in violation of any PRC laws and the Group would not be subject to any penalty]. The amount is interest free and was fully settled in 2008.

The directors consider that the carrying amounts of other payables, accruals, provision for tax surcharge and penalty and deposits received approximate to their fair values.

23. SECURED BANK LOANS

All bank loans of the Group are denominated in Renminbi. They are wholly repayable as follows:

	Effective interest rate	Maturity	As at 31 December		
			2006	2007	2008
	%		*HK$'000*	*HK$'000*	*HK$'000*
Within one year	7.92	Oct 2012	–	–	[11,441]
In the second year	7.92	Oct 2012	–	–	[11,441]
In the third to fifth years, inclusive	7.92	Oct 2012	–	–	[20,931]
			–	–	[43,813]
Portion classified as current liabilities			–	–	[(11,441)]
Portion classified as non-current liabilities			–	–	[32,372]

At 31 December 2008, the bank loans carry interest at 120% of the lending rate stipulated by The People's Bank of China. The Group's bank loans are secured by:

(i) a letter of undertaking over the Group's construction in progress outside Hong Kong (note 12);

(ii) a legal charge over the Group's medium-term leasehold land outside Hong Kong (note 13); and

(iii) the directors' personal guarantee (note 29(c)).

24. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company represents 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, a director of the Company and 20% owned by two independent third parties. The balance is unsecured, interest-free and had no fixed terms of repayment. The balance will be fully settled prior to [●].

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

25. CURRENT TAX PAYABLE

	As at 31 December		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
PRC enterprises income tax payable	168	672	[1,030]
Hong Kong profits tax payable	1,909	2,661	[2,804]
	2,077	3,333	[3,834]

26. SHARE CAPITAL AND RESERVES

(a) Share capital

	As at 31 December		
	2006	**2007**	**2008**
	US$'000	*US$'000*	*US$'000*
Authorised:			
50,000 ordinary shares of US$1 each	50	50	[50]
	HK$'000	*HK$'000*	*HK$'000*
Issued and fully paid:			
49,644 ordinary shares of US$1 each	387	387	[387]

During 2006, 9,234 ordinary shares were issued at HK$2,978 per share by capitalising the loan from the Company's holding company of HK$27,500,000 to provide additional capital for the Company.

(b) Share premium

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
At 1 January	16,922	44,350	44,350
Addition – 9,234 ordinary shares issued in 2006	27,428	–	[–]
At 31 December	44,350	44,350	[44,350]

(c) Nature and purpose of reserves

The movement in the Group's reserves for the Track Record Period are presented in the consolidated statements of changes in equity.

(i) 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".

(ii) 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.

(iii) 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.

(iv) 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.

(d) Share option scheme

The Company operates a share option scheme whereby eligible employees of the Company or any of its subsidiaries may be granted share options to subscribe for shares of the Company's common share at a specified exercise price.

40% was allocated to each of the four founding shareholders, and a further 40% to management personnel, respectively. The remaining 20% of the share options was allocated by the directors of the Company.

The options granted can be exercised during the period from the expiry date of the vesting period until the end of the contractual life of the option provided that the grantee remains an employee of the Company or any of its subsidiaries at the exercise date.

The Company estimated the fair value of each option as of the date of grant using the Binomial Lattice Model. The Binomial Lattice Model uses the following assumptions:

	Year ended 31 December 2006	**Year ended 31 December 2007**
Share price	HK$3,701	HK$5,713
Exercise price	HK$3,217	HK$3,217
Expected volatility	36.76%	37.13%
Expected dividend yield	6.16%	3.99%
Risk-free interest rate	3.73%	4.70%
Expected life, in years	10	10

The terms and conditions of the grants of the share options are as follows:

Date of grant	**Number of instruments**	**Vesting conditions**	**Contractual life of option**
On 31 December 2006	4,464	2 or 4 years from the date of grant	10 years
On 20 June 2007	496	4 years from the date of grant	10 years
	4,960		

Details of movements in share options are as follows:

	31 December 2006		31 December 2007		31 December 2008	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		HK$		*HK$*		*HK$*
Outstanding at the beginning of the year	–	–	4,464	3,217	4,960	3,217
Granted during the year	4,464	3,217	496	3,217	[–]	[–]
Outstanding at the end of the year	4,464	3,217	4,960	3,217	[4,960]	[3,217]
Exercisable at the end of the year	–	3,217	–	3,217	[3,968]	[3,217]

The options outstanding at 31 December 2008 have a weighted average remaining contractual life of 8.05 years (2007: 9.05 years; 2006: 10 years).

Details of share options under the share option scheme held by the directors of the Company are as follows:

Name of director	Date of grant	Exercise price	Granted in 2006	Outstanding at 31 December 2006	Granted in 2007	Outstanding at 31 December 2007 and 31 December 2008
		HK$				
Sung Kai Hing	31 December 2006	3,217	496	496	–	496
Cheung Kong Cheung	31 December 2006	3,217	496	496	–	496
Chan Kwok Kin	31 December 2006	3,217	496	496	–	496
Huang Wei Ye	31 December 2006	3,217	496	496	–	496
Sun Jian	20 June 2007	3,217	–	–	248	248

Share options granted to the directors in December 2006 are exercisable from 31 December 2008 to 30 December 2016. Share options granted to the directors in June 2007 are exercisable from 21 June 2011 to 19 June 2017.

27. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The total future minimum lease payments under non-cancellable operating leases are payable as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	5,394	7,609	[6,526]
In the second and fifth years inclusive	14,886	15,439	[18,057]
Over five years	18,908	19,333	[18,707]
	39,188	42,381	[43,290]

The Group as lessor

The total future minimum lease payments under non-cancellable operating leases the Group contracted with tenants are as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Within one year	–	–	[305]
In the second and fifth years inclusive	–	–	[218]
Over five years	–	–	[109]
	–	–	[632]

28. CAPITAL COMMITMENTS

Capital commitments outstanding at each of the balance sheet dates which were not provided at respective balance sheet date are as follows:

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Contracted for but not provided:			
– Construction of factory building	2,357	[2,687]	[38,921]
– Acquisition of property, plant and equipment	271	[870]	[79]
	2,628	3,557	[39,000]
Authorised but not contracted for:			
– Construction of factory building	–	68,094	[–]
– Acquisition of property, plant and equipment	–	25,000	[25,000]
	–	93,094	[25,000]

29. RELATED PARTY TRANSACTIONS

(a) During the Track Record Period, the Group had the following transactions with related parties, summarised as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Continuing transactions			
Design fee paid to Shenzhen Jing Chu *(i)*	613	355	[916]
Discontinuing transactions			
Purchase of motor vehicles from the directors *(ii)*	–	1,500	[–]

(i) During the Track Record Period, the service fees payable to Shenzhen Jing Chu take 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 is no more than 2% (depending on the pricing of the relevant products) and the rate payable by Shenzhen Xingli Zundian is 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.

(ii) The consideration for the purchase of motor vehicles from Mr. Chan Kwok Kin and Mr. Cheung Kong Cheung, both of whom are directors of the Company, 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.

(b) Emoluments for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees as disclosed in note 7, is as follows:

	Year ended 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Short-term employee benefits	3,102	8,337	[6,144]
Post-employment benefits	36	82	[61]
	3,138	8,419	[6,205]

(c) Guarantees provided by directors

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 Wai Ye, both are a director of the Company, for 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 will be released prior to [●].

(d) Due to a related company

Details of the Group's amount due to a related company as at each of the balance sheet date of the Track Record Period are disclosed in note 24 of the Accountants' Report.

(e) Ultimate controlling party

Details of the Company's ultimate holding company and ultimate controlling party are discussed in note 1 of the Accountants' Report. In the period from November 2004 to July 2006, the Company's ultimate holding company was Omnicorp Limited. In July 2006, Omnicorp Limited disposed of its interest in the Company to Triple Express Enterprises Limited ("Triple Express"), the current ultimate holding company of the Company. Triple Express is beneficially owned by Mr. Fang Shin.

30. FINANCIAL RISK MANAGEMENT AND ESTIMATION OF FAIR VALUES

(a) Financial risk management

The Group is exposed to a variety of risks including credit risk, liquidity risk, business 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

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Prudent liquidity risk management implies maintaining sufficient cash. The Group monitors and maintains a level of bank balances deemed adequate to finance the Group's operations.

(iii) Cash flow and 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 an 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 maturity of the financial instruments of the Group that are exposed to interest rate risk are disclosed in notes 20 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 purposes 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.

(b) 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 [14], bank balances and cash disclosed in note [20], secured bank loans disclosed in note [23] and equity attributable to equity holders of the Company, comprising issued 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 Track Record Period.

Secured bank loans amounting to HK$[43,813,000] (see note [23] above) were obtained as part of the capital structure of the Group in 2008. However, as the bank and cash balances of the Group exceed the bank loan amount, the Group does not have net indebtedness to banks.

	As at 31 December		
	2006	**2007**	**2008**
	HK$'000	*HK$'000*	*HK$'000*
Bank balances and cash	73,887	85,192	[88,208]
Less: Secured bank loans	–	–	[(43,813)]
Net cash	73,887	85,192	[44,395]
Equity	135,080	170,750	[209,354]
Net debt-to-equity ratio	N/A	N/A	[N/A]

(c) Estimation of fair values

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, prepayments and deposits, time deposits, bank balances and cash, trade and other payables and accruals) 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.

31. THE COMPANY'S BALANCE SHEET

		As at 31 December		
		2006	2007	2008
	Notes	*HK$'000*	*HK$'000*	*HK$'000*
Non-current asset				
Investment in a subsidiary		156	156	[156]
Current assets				
Prepayments and deposits		–	–	[8,505]
Dividend receivable		15,310	15,000	[13,475]
Amounts due from subsidiaries		43,901	40,710	[39,913]
Bank balances and cash		1,008	1,042	[70]
		60,219	56,752	[61,963]
Current liabilities				
Other payables and accruals		380	525	[657]
Amounts due to subsidiaries		800	1,222	[9,658]
Amounts due to directors		2,916	–	[–]
		4,096	1,747	[10,315]
Net current assets		56,123	55,005	[51,648]
Total assets less current liabilities/net assets		56,279	55,161	[51,804]
Equity				
Share capital	*26(a)*	387	387	[387]
Share premium	*26(b)*	44,350	44,350	[44,350]
Share option reserve	*26(c)(iv)*	–	2,477	[5,110]
Retained profits		11,542	7,947	[1,957]
Total equity		56,279	55,161	[51,804]

32. THE COMPANY'S CORPORATE GUARANTEE

	As at 31 December		
	2006	2007	2008
	HK$'000	*HK$'000*	*HK$'000*
Corporate guarantee given and utilised	–	–	43,813

The Company provided corporate guarantee to Shenzhen Xingli to the extent of HK$77,000,000 as at 31 December 2007 and 2008 (2006: Nil) in relation to the payments for bank loans as set out in note 23, HK43,813,000 (2007 & 2006: Nil) of which was utilised.

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

C SUBSEQUENT EVENTS

The following significant transactions took place subsequent to 31 December 2008:

On [29 May 2009], resolutions of the shareholders were passed to approve the termination of the share option scheme of the Company adopted on 22 December 2006.

On [29 May 2009], resolutions of the shareholders were passed to approve the matters set out in the paragraph headed "Written resolutions of the Shareholders on [●]" in Appendix V to this document.

D SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 December 2008.

Yours faithfully,
Moore Stephens
Certified Public Accountants
Hong Kong