MANWAH

敏華控股有限公司
MAN WAH HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

Stock code: 1999

GLOBAL OFFERING

Sole Global Coordinator, Sole Bookrunner, Sole Lead Manager and Sole Sponsor

MACQUARIE

If you are in any doubt about any of the contents of this prospectus, you should seek independent professional advice.

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GLOBAL OFFERING

Number of Offer Shares	:	**289,272,000 Shares (comprising 241,272,000 new Shares to be offered by the Company and 48,000,000 Sale Shares to be offered by the Selling Shareholders, subject to the Over-allotment Option)**
Number of Hong Kong Offer Shares	:	**28,927,200 Shares (subject to adjustment)**
Number of International Offer Shares	:	**260,344,800 Shares (comprising 212,344,800 new Shares to be offered by the Company and 48,000,000 Sale Shares to be offered by the Selling Shareholders, subject to adjustment and the Over-allotment Option)**
Offer Price	:	**Not more than HK$11.80 per Offer Share and expected to be not less than HK$8.50 per Offer Share (in each case payable in full on application, plus a brokerage of 1%, an SFC transaction levy of 0.004% and a Hong Kong Stock Exchange trading fee of 0.005% and subject to refund)**
Nominal value	:	**HK$0.40 per Share**
Stock code	:	**01999**

Sole Global Coordinator, Sole Bookrunner,
Sole Lead Manager and Sole Sponsor

MACQUARIE

A copy of this prospectus, having attached thereto the documents specified in the section entitled "Documents Delivered to the Registrar of Companies in Hong Kong and Available for Inspection" in this prospectus, has been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission of Hong Kong and the Registrar of Companies in Hong Kong take no responsibility as to the contents of this prospectus or any other documents referred to above. Hong Kong Exchanges and Clearing Limited, The Hong Kong Stock Exchange Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus has been filed or will, as soon as reasonably practicable, be filed with the Registrar of Companies in Bermuda. In accepting the prospectus for filing and in granting such consent, the Registrar of Companies in Bermuda and the Bermuda Monetary Authority accept no responsibility for the financial soundness of our Group or any proposal or for the correctness of any of the statements made or opinions expressed herein or any of the other documents referred to in this prospectus.

The Offer Price is expected to be determined by agreement between our Company (for itself and on behalf of the Selling Shareholders) and the Sole Global Coordinator (on behalf of the Underwriters) at the Price Determination Date. The Price Determination Date is expected to be on or around Wednesday, 24 March 2010 or such later time as may be agreed by our Company (for itself and on behalf of the Selling Shareholders) and the Sole Global Coordinator (on behalf of the Underwriters), but in any event no later than Sunday, 28 March 2010.

The Offer Price will be not more than HK$11.80 per Offer Share and is currently expected to be not less than HK$8.50 per Offer Share. Investors applying for Hong Kong Offer Shares must pay, on application, the maximum Offer Price of HK$11.80 per Offer Share, unless otherwise announced, together with a brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price is lower than HK$11.80. The Sole Global Coordinator (on behalf of the Underwriters), with the consent of our Company, may reduce the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range stated in this prospectus at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offer. In such a case, a notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or of the indicative offer price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) not later than the morning of the last day for lodging applications under the Hong Kong Public Offer. If applications for Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, then even if the number of Offer Shares and/or indicative offer price range is so reduced, such applications cannot subsequently be withdrawn. Further details are set out in the sections entitled "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus. If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriters) on or before Sunday, 28 March 2010, the Global Offering will not proceed and will lapse.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus and the related Application Forms, including the risk factors set out in the section entitled "Risk Factors" in this prospectus.

Pursuant to the termination provisions contained in the Underwriting Agreements in respect of the Offer Shares, the Sole Global Coordinator, on behalf of the Underwriters, have the right in certain circumstances, in the sole discretion of the Sole Global Coordinator, to terminate the obligations of the Underwriters pursuant to the Underwriting Agreements at any time prior to 8:00 a.m. (Hong Kong time) on the date when dealings in our Shares first commence on The Hong Kong Stock Exchange of Hong Kong Limited (such first dealing date is currently expected to be Tuesday, 30 March 2010). Further details of the terms of the termination provisions are set out in the paragraph entitled "Grounds for termination" under the section entitled "Underwriting" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that the Offer Shares may be offered, sold or delivered (i) within the United States in reliance on an exemption from registration under the Securities Act provided by, and in accordance with the restrictions of, Rule 144A under the Securities Act or another exemption from registration under the Securities Act; and (ii) in offshore transactions outside the United States in reliance on Regulation S under the Securities Act.

18 March 2010

Our Company will issue an announcement in Hong Kong to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) if there is any change in the following expected timetable of the Hong Kong Public Offer.

	2010[1]
Application lists open[2]	11:45 a.m. on Tuesday, 23 March
Latest time to complete electronic applications under the **White Form eIPO** service through the designated website **www.eipo.com.hk**[3]	11:30 a.m. on Tuesday, 23 March
Latest time for lodging **WHITE** and **YELLOW** Application Forms and giving **electronic application instructions** to HKSCC[4]	12:00 noon on Tuesday, 23 March
Latest time to complete payment of **White Form eIPO** applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Tuesday, 23 March
Application lists close[2]	12:00 noon on Tuesday, 23 March
Expected Price Determination Date[5]	Wednesday, 24 March
Announcement of the Offer Price, the levels of indications of interest in the International Offering, the level of applications in respect of the Hong Kong Public Offer and basis of allocation under the Hong Kong Public Offer to be published on the website of the Hong Kong Stock Exchange at **www.hkexnews.hk**[6] and the Company's website at **www.manwahholdings.com** in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Monday, 29 March
Results of allocations in the Hong Kong Public Offer (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section entitled "How to Apply for the Hong Kong Offer Shares – Results of allocations" from	Monday, 29 March
Results of allocations in the Hong Kong Public Offer will be available at **www.iporesults.com.hk** with a "search by ID" function	Monday, 29 March
Despatch of share certificates in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offer on or before[8]	Monday, 29 March
Despatch of White Form e-Refund payment instructions/refund cheques in respect of wholly successful (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offer on or before[9]	Monday, 29 March
Dealings in Shares on the Hong Kong Stock Exchange to commence on	Tuesday, 30 March

(1) All times and dates refer to Hong Kong local time and dates. Details of the structure of the Global Offering, including the conditions of the Hong Kong Public Offer, are set out in the section entitled "Structure of the Global Offering" in this prospectus. If there is any change in this expected timetable, an announcement will be published in the South China Morning Post in English and in the Hong Kong Economic Times in Chinese.

(2) If there is a "black" rainstorm warning or a tropical cyclone warning signal number eight or above in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 23 March 2010, the application lists will not open and close on that day. Please see the paragraph entitled "Effect of Bad Weather on the Opening of the Application Lists" under the section entitled "How to Apply for Hong Kong Offer Shares" in this prospectus. If the application lists do not open and close on Tuesday, 23 March 2010, the dates mentioned in this section entitled "Expected Timetable" may be affected. A press announcement will be made by our Company in such event.

(3) You will not be permitted to submit your application to the White Form eIPO Service Provider through the designated website at, **www.eipo.com.hk**, after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained a payment reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(4) Applicants who apply by giving electronic application instructions to HKSCC should refer to the paragraph entitled "Applying by Giving Electronic Application Instructions to HKSCC" under the section entitled "How to Apply for Hong Kong Offer Shares" in this prospectus.

(5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Wednesday, 24 March 2010 and, in any event, not later than Sunday, 28 March 2010. If, for any reason, the Offer Price is not agreed by the Company (for itself and on behalf of the Selling Shareholders) and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering (including the Hong Kong Public Offer) will not proceed and will lapse.

(6) The announcement will be available for viewing on the "Main Board – Allotment of Results" page on the Hong Kong Stock Exchange's website at **www.hkexnews.hk**.

(7) None of the website or any of the information contained on the website forms part of this prospectus.

(8) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have indicated in their Application Forms that they wish to collect share certificates (if applicable) and refund cheques (if applicable) in person may do so from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 29 March 2010 or any other date notified by us in the newspapers as the date of despatch of share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who opt for personal collection must not authorise any other person to make their collection on their behalf. Applicants being corporations who opt for personal collection must attend by sending their authorised representatives each bearing a letter of authorisation from his corporation stamped with the corporation's chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. Applicants who have applied on **YELLOW** Application Forms may not elect to collect their share certificates, which will be deposited into CCASS for the credit of their designated CCASS Participants' stock accounts or CCASS Investor Participant stock accounts, as appropriate. Uncollected share certificates and refund cheques will be despatched by ordinary post to the addressees specified in the relevant applications at the applicants' own risk. Further information is set out in the section entitled "How to Apply for Hong Kong Offer Shares" in this prospectus.

(9) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications and also in respect of successful applications in the event that the final Offer Price is less than the initial price per Hong Kong Public Offer Share payable on application. Part of your Hong Kong identity card number/passport number, or, if you are joint applicants, part of the Hong Kong identity card number/passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party to facilitate your refund. Your banker may require verification of your Hong Kong identity card number/ passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number/passport number may lead to delay in encashment of your refund cheque or may invalidate your refund cheque. Further information is set out in "How to Apply for Hong Kong Offer Shares" in this prospectus.

Share certificates will only become valid certificates of title at 8:00 a.m. on Tuesday, 30 March 2010 provided that the Hong Kong Public Offer has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade Shares on the basis of publicly available allocation details prior to the receipt of their share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

For further details in relation to the Hong Kong Public Offer, see the sections entitled "How to Apply for Hong Kong Offer Shares" and "Structure of the Global Offering" in this prospectus.

This prospectus is issued by Man Wah Holdings Limited solely in connection with the Hong Kong Public Offer and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to subscribe for or buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy any security in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. Our Company has not authorised anyone to provide you with information that is different from what is contained in this prospectus and the Application Forms. Any information or representation not made in this prospectus and the Application Forms must not be relied on by you as having been authorised by our Company, the Sole Global Coordinator, the Sole Sponsor, the Underwriters, the Selling Shareholders, any of their respective directors, or any other person or party involved in the Global Offering.

CONTENTS

This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in our Shares. There are risks associated with any investment. Some of the particular risks in investing in our Shares are set out in the section entitled "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in our Shares.

OVERVIEW

We are principally engaged in the production and sales of Recliner Sofas, which we produce in the PRC and export to customers in overseas markets, such as the U.S. and Europe, and sell domestically in the PRC. We focus on Recliner Sofas with features such as extending footrests and swivel functions that are marketed under our "Cheers" brand. We design and market our products as high quality affordable luxury products.

We are the market leader in terms of revenue in the PRC Recliner Sofa industry and the eighth largest player in the Recliner Sofa market in the U.S. in terms of revenue according to the Euromonitor 2009 Report.

We employ a twin-pronged strategy with respect to the sales of our products: prominent retail presence in the PRC and Hong Kong and direct exports. Our customers comprise primarily (i) customers who purchase our products at our self-operated "Cheers" and "Enlanda" specialty stores in the PRC and "Cheers" and Morewell retail stores in Hong Kong, (ii) distributors who operate stores in the PRC using our "Cheers" or "Enlanda" brand names and (iii) retailers in overseas markets (which excludes Hong Kong) who purchase our "Cheers" products for sale in their stores to end customers under our "Cheers" brand or their own brands. Approximately 1% of our sales revenue is attributable to wholesalers in Hong Kong and the U.S. for the six months ended 30 September 2009.

We sell a wide range of Recliner Sofas to retailers in over 50 countries overseas with the U.S. and Europe being our strongest export markets. These retailers typically resell our Recliner Sofas to end customers through their own retail network. In the U.S., we target middle-class consumers in suburban markets where houses tend to be larger and accordingly there is greater demand for furniture. We focus on providing high quality affordable luxury products that satisfy consumers' desires such as larger sectionals with one or more recliners or other features, sofas with bucket seats and home theatre sofa sets. Our customers in the U.S. include 30 of the top 100 largest U.S. furniture retailers such as American Signature Inc. In Europe, we sell our products to retailers such as Steinhoff International Holdings Ltd. Our overseas customer base has grown from just two large furniture retailers in the U.S. in 2006 to over 500 retailers in the U.S., Canada and several countries in Europe at the end of 2009.

We sell Recliner Sofas in the PRC mainly through our own self-operated specialty retail stores and stores operated by our distributors. In the PRC we target the middle and high price point consumers. We are focused on the fast growing domestic furniture and middle-class customer markets in the PRC. These customers are served by our extensive retail network which has grown from three "Cheers" specialty stores in Shanghai, Beijing and Shenzhen in 2002 to 296 "Cheers" specialty stores in major cities in over 20 provinces throughout the PRC by the end of 2009.

Our "Cheers" brand has received numerous awards in the PRC including the prestigious "China Top Brand (中國名牌產品)" award presented by the State General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) in September 2007. In September 2008, we were also selected as one of "Asia's 200 Best under a Billion – Asia's Top 200 Small & Midsize Companies" by Forbes Asia. According to Euromonitor, our flagship brand, "Cheers", achieved the number one position in the PRC in terms of revenue as early as 2004.

While the majority of our sales come from Recliner Sofas, we also manufacture and sell non-Recliner Sofas, mattresses and bedding accessories, and design and sell other furniture under our "Cheers" or "芝華仕", "Enlanda" or "Enlanda 愛蒙" and "LAND" brands, respectively. Prior to December 2009, Famous Bedding and its "Enlanda" specialty stores were owned as to 70% by Man Wah Far East and 30% by Weston International. Man Wah Far East is wholly owned by Mr. Wong and Weston International is wholly owned by one of our executive Directors, Mr. Yu Tung Wan. Both Mr. Wong and Mr. Yu have been substantially involved in the management and operation of the Famous Bedding Group throughout the Track Record Period. On 7 December 2009, as part of the Reorganisation in anticipation of the Listing, we integrated Famous Bedding into our Group. Following the integration of Famous Bedding into our Group, our retail network comprised 296 "Cheers" specialty stores and 213 "Enlanda" specialty stores in the PRC and one "Cheers" specialty store and six Morewell retail stores in Hong Kong where we sell our "Cheers", "芝華仕", "Enlanda" or "Enlanda 愛蒙" and "LAND" brand products. We also sell a small number of other third party brand products in our Morewell retail stores.

We have enjoyed steady growth in revenues and net profits over the last five years. Our revenues have grown from HK$884.9 million in the financial year ended 31 March 2007, to HK$1.96 billion for the financial year ended 31 March 2009 despite the extremely challenging economic climate. Our net profits have also grown from HK$96.9 million to HK$228.0 million over the same period. The U.S. and Europe are our key export markets. During the Track Record Period, the U.S. accounted for 22.8%, 33.3%, 39.6% and 48.5% of our revenues, respectively, while Europe accounted for 23.7%, 20.6%, 17.8% and 12.9% of our revenues, respectively. During the same periods, sales to the PRC and Hong Kong accounted for 26.7%, 29.8%, 30.5% and 28.9% of our revenues, respectively.

The PRC was our fastest growing segment for the financial year ended 31 March 2009 in terms of revenue and gross profit with revenue rising 45.2% to HK$485.8 million and gross profit rising 56.7% to HK$239.3 million over the previous financial year. Markets outside of the PRC also saw a significant increase for the financial year ended 31 March 2009 with revenue for our export segment rising 22.3% to HK$1.48 billion and gross profit rising 36.0% to HK$461.7 million over the previous financial year. We intend to leverage on our competitive strengths to maintain and increase this rate of growth in the PRC and other regions by continuing to provide high quality affordable luxury products, building on our established brand and expanding our sales and retail network.

The following table sets forth a geographic breakdown of our sales during the Track Record Period:

	For the financial year ended 31 March						For the six months ended 30 September	
	2007		2008		2009		2009	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
United States	201,674	22.8	514,213	33.3	777,410	39.6	643,958	48.5
Canada	114,976	13.0	121,608	7.9	113,810	5.8	66,698	5.0
PRC and Hong Kong								
Direct customers	101,995	11.5	281,689	18.3	363,140	18.5	210,242	15.8
Distributors	134,114	15.2	178,257	11.5	235,886	12.0	173,492	13.2
Europe(1)	209,662	23.7	317,699	20.6	348,614	17.8	171,559	12.9
Others(2)	122,449	13.8	129,623	8.4	124,977	6.3	60,697	4.6
Total	884,870	100.0	1,543,089	100.0	1,963,837	100.0	1,326,646	100.0

Notes:

(1) Includes countries such as the United Kingdom, Spain, Poland, Bulgaria, Sweden, Germany, France, Ireland, Croatia and Portugal.

(2) Includes the Middle East, Australia, New Zealand, India, Malaysia and Indonesia.

INCREASING EXPORT SALES TO THE U.S. DURING THE GLOBAL FINANCIAL CRISIS

According to the Euromonitor 2009 Report, retail sales of Recliner Sofas in the U.S. have declined from a peak of US$7,494 million in 2007 to a projected trough of US$6,797 million in 2009, representing a decrease of approximately 9.3%. However, over the same period, the number of Recliner Sofas sold decreased from a high of 6.7 million to a projected 6.3 million, a decrease of approximately 5.6%. This suggests that consumers continued to purchase Recliner Sofas during the Global Financial Crisis but purchased more affordable sets such as those we produce.

According to the Euromonitor 2009 Report, the value of six out of the top 10 Recliner Sofa brands fell in 2007/08, with the market share of the top two leaders decreasing by an aggregate of 23.5% while our Company grew by 42.4% during that period. This shows that against a backdrop of limited decline within the segment (9.3% by revenue and 5.6% by volume), market leaders have lost significantly more market share compared to smaller players like us.

Prior to and during the Track Record Period, we shifted our focus in the U.S. market away from wholesalers to leading retailers. During the Track Record Period, sales to wholesalers accounted for approximately 38.6%, 9.5%, 1.4% and 0.3% of our total sales in the U.S., respectively. Our focus on exporting directly to retailers has allowed us to increase our customer base and reduce costs by cutting down on commissions paid to wholesalers. The retailers we sell to are usually chain store operators with multiple stores in various states across the U.S. unlike wholesalers who typically service a smaller customer base. This has allowed us to increase our revenues as such retailers generally place larger orders than wholesalers. Dealing directly with retailers also puts us in a better position to build up and maintain relationships and customer loyalty as we are able to anticipate demands and respond more quickly to the needs of these retailers compared to having to deal with a middleman.

The table below shows our sales to wholesalers and retailers in the U.S. over the Track Record Period:

Sales in U.S. to	For the year ended 31 March 2007			2008			2009			For the six months ended 30 September 2009		
	No.	HK$'m	%	No.	HK$'m	%	No.	HK$'m	%	No.	HK$'m	%
Wholesalers	4	78	38.6	3	49	9.5	3	11	1.4	2	2	0.3
Retailers	120	124	61.4	179	465	90.5	224	766	98.6	275	641	99.7
Total	124	202	100	182	514	100	227	777	100	277	643	100

In 2007, we also increased our production capacity from 203,000 sets to 500,000 sets per annum which provided us with additional flexibility in dealing with customer orders and the ability to shift our customer base from wholesalers to larger and more established retailers. We consider the location of our manufacturing facilities in the PRC to be one of our competitive strengths, as the cost of labour in the PRC is relatively low, particularly in comparison to the cost of labour in the U.S. and Europe which gives us a cost advantage over some of our competitors. We believe that a combination of the factors above contributed to our increasing sales in the U.S. despite the Global Financial Crisis.

DELISTING FROM SGX-ST

We were listed on the SGX-ST on 16 June 2005 and remained listed on the SGX-ST for more than four years. On 5 June 2009, we and Alina announced the Delisting Offer for the voluntary Delisting by Alina, pursuant to which certain Shareholders and certain parties acting in concert with them offered to purchase all our Shares not held by Alina. We were subsequently delisted from the SGX-ST on 15 September 2009. Please refer to the section entitled "Company History and Reorganisation – History" for further details about our listing on the SGX-ST and our Delisting.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have been key factors for our success to date and will enable us to maintain our dominant market position and capture the anticipated future growth in our target markets:

- We are well positioned to capitalise on growth opportunities in overseas markets
- Our "Cheers" brand is well recognised and associated with high quality, affordable luxury products
- Our market leadership in the PRC Recliner Sofa industry positions us to capitalise on the growing domestic furniture market in the PRC
- We have a strong design, research and development team that continues to develop new and innovative products that satisfy our customers' needs

OUR STRATEGIES

Our principal goals are to become a globally recognised brand for high quality affordable luxury products and maintain our position as the leading Recliner Sofa retailer in the PRC. We aim to achieve this through the following principal strategies:

- Continue to expand and strengthen our presence in the PRC
- Expand our geographic reach and strengthen our position as one of the leaders in the Recliner Sofa market overseas
- Strengthen our brands
- Capitalise on growth opportunities in the bedding market

SUMMARY FINANCIAL INFORMATION

The following tables summarise our consolidated financial information for the three financial years ended and as of 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009 and as of 30 September 2008. We extracted this summary financial information from the Accountants' Report in Appendix I to this prospectus and you should read the entire audited financial statements, including the notes to the financial statements, included in Appendix I for more details. Our financial statements for the six months ended 30 September 2008 have not been audited.

Summary Consolidated Income Statements Data

Combined Statements of Comprehensive Income

		Year ended 31 March			Six months ended 30 September	
		2007	**2008**	**2009**	**2008**	**2009**
	Notes	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000** (unaudited)	**HK$'000**
Revenue	5	884,870	1,543,089	1,963,837	1,021,901	1,326,646
Cost of goods sold		(648,772)	(1,050,879)	(1,262,790)	(660,963)	(777,222)
Gross profit		236,098	492,210	701,047	360,938	549,424
Other income		6,652	6,325	7,568	4,024	5,147
Other gains and losses	6	4,283	19,856	11,069	8,900	6,002
Selling and distribution expenses		(96,480)	(233,397)	(330,451)	(171,366)	(207,173)
Administrative expenses		(46,348)	(77,987)	(131,755)	(58,895)	(68,383)
Share of profit (loss) of						
– jointly controlled entities		–	303	5	246	(1,837)
– an associate		(196)	–	–	–	–
Finance costs	7	(2,036)	(4,610)	(8,031)	(4,703)	(2,318)
Profit before income tax		101,973	202,700	249,452	139,144	280,862
Income tax expense	8	(5,044)	(5,553)	(21,408)	(11,247)	(18,640)
Profit for the year/period	9	96,929	197,147	228,044	127,897	262,222
Other comprehensive income:						
Exchange differences arising on translation		3,184	15,907	10,775	12,294	–
Fair value gain on available-for-sale investment		84	186	7	7	–
Transfer to profit and loss on disposal of available-for-sale investment		–	–	(337)	(337)	–
Total comprehensive income for the year/period		100,197	213,240	238,489	139,861	262,222
Profit for the year/period attributable to:						
Equity holders of the Company		94,945	194,089	223,509	124,861	255,311
Minority interests		1,984	3,058	4,535	3,036	6,911
		96,929	197,147	228,044	127,897	262,222
Total comprehensive income for the year/period attributable to:						
Equity holders of the Company		98,111	209,791	233,745	136,599	255,311
Minority interests		2,086	3,449	4,744	3,262	6,911
		100,197	213,240	238,489	139,861	262,222
Earnings per share	11					
Basic (HK cents)		13.52	27.47	31.63	17.67	36.14

Combined Statements of Financial Position

	Notes	As at 31 March 2007 HK$'000	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 30 September 2009 HK$'000
Non-current assets					
Property, plant and equipment	13	226,100	398,898	480,866	502,975
Investment properties	14	15,992	19,579	21,159	22,014
Lease premium for land	15	43,422	45,511	45,761	45,250
Interests in jointly controlled entities	17	–	3,616	2,039	207
Loan to a jointly controlled entity	17	–	–	–	4,995
Interest in an associate	18	–	–	–	–
Deferred tax assets	19	28	220	473	473
Deposits paid for lease premium for land		–	–	4,545	4,545
Deposits paid for acquisition of property, plant and equipment		834	23,777	715	9,200
		286,376	491,601	555,558	589,659
Current assets					
Inventories	20	185,701	232,136	214,740	263,217
Trade receivables	21	89,536	171,567	148,398	191,849
Other receivables and prepayments	21	29,353	72,715	50,521	59,283
Lease premium for land	15	930	996	1,023	1,023
Available-for-sale investment	22	3,338	3,524	–	–
Derivative financial instruments	23	–	41,004	23,651	16,527
Pledged bank deposits	24	–	–	3,531	3,531
Bank balances and cash	24	56,965	37,126	229,325	537,249
		365,823	559,068	671,189	1,072,679
Current liabilities					
Trade payables	25	71,111	130,793	116,218	215,311
Other payables and accruals	25	61,861	106,385	112,246	173,239
Amounts due to directors	26	3,082	3,570	5,554	7,737
Tax payable		2,375	4,504	11,498	20,777
Derivative financial instruments	23	–	31,013	14,033	5,441
Bank borrowings	27	45,131	87,979	72,868	127,820
		183,560	364,244	332,417	550,325
Net current assets		182,263	194,824	338,772	522,354
Total assets less current liabilities		468,639	686,425	894,330	1,112,013
Non-current liabilities					
Bank borrowings	27	26,000	67,167	77,533	44,080
Deferred tax liabilities	19	1,335	525	2,545	3,459
		27,335	67,692	80,078	47,539
		441,304	618,733	814,252	1,064,474
Capital and reserves					
Share capital	28	133,240	266,480	266,480	266,480
Reserves		305,200	346,990	537,765	784,676
Equity attributable to equity holders of the Company		438,440	613,470	804,245	1,051,156
Minority interests		2,864	5,263	10,007	13,318
Total equity		441,304	618,733	814,252	1,064,474

Statements of Financial Position of the Company

		As at 31 March			As at 30 September
		2007	2008	2009	2009
	Notes	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Non-current assets					
Investments in subsidiaries	16	189,454	252,478	252,478	252,478
Current assets					
Other receivables and prepayments	21	79,861	20,359	15,331	13,217
Bank balances and cash	24	199	184	2,542	1,022
		80,060	20,543	17,873	14,239
Current liabilities Accruals	25	484	723	751	12,630
Net current assets		79,576	19,820	17,122	1,609
Total assets less current liabilities		269,030	272,298	269,600	254,087
Capital and reserves					
Share capital		133,240	266,480	266,480	266,480
Reserves	29	135,790	5,818	3,120	(12,393)
		269,030	272,298	269,600	254,087

Combined Statements of Changes in Equity

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	PRC statutory reserve	Revaluation reserve	Translation reserve	Retained profits	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000 *(note)*	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2006	116,040	37,327	331	60	443	95,644	249,845	778	250,623
Exchange differences arising on translation	–	–	–	–	3,082	–	3,082	102	3,184
Profit for the year	–	–	–	–	–	94,945	94,945	1,984	96,929
Fair value gain on available-for sale investment	–	–	–	84	–	–	84	–	84
Total comprehensive income for the year	–	–	–	84	3,082	94,945	98,111	2,086	100,197
Transfer	–	–	8,874	–	–	(8,874)	–	–	–
Issue of shares	17,200	100,070	–	–	–	–	117,270	–	117,270
Share issue expense	–	(4,179)	–	–	–	–	(4,179)	–	(4,179)
Dividend paid *(note 12)*	–	–	–	–	–	(22,607)	(22,607)	–	(22,607)
At 31 March 2007	133,240	133,218	9,205	144	3,525	159,108	438,440	2,864	441,304
Exchange differences arising on translation	–	–	–	–	15,516	–	15,516	391	15,907
Profit for the year	–	–	–	–	–	194,089	194,089	3,058	197,147
Fair value gain on available-for- sale investment	–	–	–	186	–	–	186	–	186
Total comprehensive income for the year	–	–	–	186	15,516	194,089	209,791	3,449	213,240
Transfer	–	–	6,445	–	–	(6,445)	–	–	–
Bonus issue	133,240	(133,218)	–	–	–	(22)	–	–	–
Dividend paid *(note 12)*	–	–	–	–	–	(34,761)	(34,761)	(1,050)	(35,811)
At 31 March 2008	266,480	–	15,650	330	19,041	311,969	613,470	5,263	618,733
Exchange differences arising on translation	–	–	–	–	10,566	–	10,566	209	10,775
Profit for the year	–	–	–	–	–	223,509	223,509	4,535	228,044
Fair value gain on available-for-sale investment	–	–	–	7	–	–	7	–	7
Transfer to profit and loss on disposal of available-for-sale investment	–	–	–	(337)	–	–	(337)	–	(337)
Total comprehensive income for the year	–	–	–	(330)	10,566	223,509	233,745	4,744	238,489
Dividend paid *(note 12)*	–	–	–	–	–	(42,970)	(42,970)	–	(42,970)
At 31 March 2009	266,480	–	15,650	–	29,607	492,508	804,245	10,007	814,252
Profit for the period and total comprehensive income	–	–	–	–	–	255,311	255,311	6,911	262,222
Dividend paid *(note 12)*	–	–	–	–	–	(8,400)	(8,400)	(3,600)	(12,000)
At 30 September 2009	266,480	–	15,650	–	29,607	739,419	1,051,156	13,318	1,064,474
For the six months ended 30 September 2008 (unaudited)									
At 1 April 2008	266,480	–	15,650	330	19,041	311,969	613,470	5,263	618,733
Exchange differences arising on translation	–	–	–	–	12,068	–	12,068	226	12,294
Profit for the period	–	–	–	–	–	124,861	124,861	3,036	127,897
Fair value gain on available-for-sale investment	–	–	–	7	–	–	7	–	7
Transfer to profit and loss on disposal of available-for-sale investment	–	–	–	(337)	–	–	(337)	–	(337)
Total comprehensive income for the period	–	–	–	(330)	12,068	124,861	136,599	3,262	139,861
Dividend paid *(note 12)*	–	–	–	–	–	(25,249)	(25,249)	–	(25,249)
At 30 September 2008	266,480	–	15,650	–	31,109	411,581	724,820	8,525	733,345

Note: The PRC statutory reserve represents the amount transferred from profit after taxation of the subsidiaries established in the PRC in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve cannot be reduced except where approval is obtained form the relevant PRC authority to apply the amount either in setting off the accumulated losses or increasing capital. As at 31 March 2008, the PRC statutory reserve had already reached 50% of the registered capital of the respective subsidiaries.

Combined Statements of Cash Flow

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
OPERATING ACTIVITIES					
Profit before income tax	101,973	202,700	249,452	139,144	280,862
Adjustments for:					
Amortisation of lease premium for land	916	953	1,020	510	511
Depreciation	9,742	19,893	37,254	14,122	17,425
Gain on disposal of available-for-sale investment	–	–	(337)	(337)	–
Gain on revaluation of investment properties	(566)	(2,733)	(1,205)	–	(855)
Impairment loss on trade receivables	26	846	3,641	9	1,190
Finance costs	2,036	4,610	8,031	4,703	2,318
Interest income	(2,944)	(875)	(436)	(146)	(636)
(Gain) loss on disposal of property, plant and equipment	(226)	58	148	(119)	29
Share of loss (profit) of:					
– jointly controlled entities	–	(303)	(5)	(246)	1,837
– an associate	196	–	–	–	–
Impairment loss on inventories	–	–	–	–	1,723
Operating cash flows before movements in working capital	111,153	225,149	297,563	157,640	304,404
(Increase) decrease in inventories	(104,509)	(46,435)	17,396	25,105	(50,200)
(Increase) decrease in trade receivables	(45,067)	(96,278)	18,820	(50,873)	(44,641)
(Increase) decrease in other receivables and prepayments	(16,368)	(43,362)	21,486	(27,593)	(8,762)
(Increase) decrease in derivative financial instruments	–	(9,991)	373	(3,027)	(1,468)
Increase (decrease) in trade payables	50,029	59,682	(15,284)	(26,034)	99,093
Increase (decrease) in other payables and accruals	28,599	44,524	5,152	1,796	60,993
Cash generated from operations	23,837	133,289	345,506	77,014	359,419
Interest paid	(2,036)	(4,610)	(8,031)	(4,703)	(2,318)
Interest received	2,944	875	436	146	636
Income tax paid	(1,800)	(4,458)	(12,667)	(3,847)	(8,447)
NET CASH FROM OPERATING ACTIVITIES	22,945	125,096	325,244	68,610	349,290

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(129,090)	(170,250)	(86,397)	(51,338)	(38,901)
Deposits paid for lease premium for land	–	–	(4,545)	–	–
Deposits paid for acquisition of property, plant and equipment	(834)	(23,777)	(715)	–	(9,200)
Capital contribution to an associate	(196)	–	–	–	–
Proceeds from disposal of property, plant and equipment	636	1,030	1,709	651	53
Capital (contribution to) refund from jointly controlled entities	–	(3,313)	1,582	1,582	(5)
Loan to a jointly controlled entity	–	–	–	–	(4,995)
Proceeds from disposal of available-for-sale investment	–	–	3,531	3,531	–
Increase in pledged bank deposits	–	–	(3,531)	(3,531)	–
NET CASH USED IN INVESTING ACTIVITIES	(129,484)	(196,310)	(88,366)	(49,105)	(53,048)
FINANCING ACTIVITIES					
Proceeds from issuance of shares	117,270	–	–	–	–
Increase (decrease) in trust receipt loans	30,117	1,630	(32,800)	(7,433)	–
New bank borrowings raised	3,000	115,000	105,500	85,500	60,000
Advances from directors	2,042	1,352	3,411	3,035	5,848
Dividends paid	(22,607)	(35,811)	(42,970)	(25,249)	(12,000)
Repayment to directors	(399)	(864)	(1,427)	(4)	(3,665)
Repayment of bank borrowings	(6,000)	(36,500)	(73,560)	(23,106)	(38,501)
Share issue expense	(4,179)	–	–	–	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	119,244	44,807	(41,846)	32,743	11,682
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,705	(26,407)	195,032	52,248	307,924
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	43,298	56,965	33,241	33,241	229,325
Effect of foreign exchange rate changes	962	2,683	1,052	1,427	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	56,965	33,241	229,325	86,916	537,249
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS					
Bank balances and cash	56,965	37,126	229,325	86,916	537,249
Bank overdrafts	–	(3,885)	–	–	–
	56,965	33,241	229,325	86,916	537,249

PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2010

The following sets forth certain unaudited profit forecast data for the financial year ending 31 March 2010. Please refer to "Appendix III – Profit Forecast" for further details.

Forecast consolidated net profit attributable to equity holders of the Company(1)	not less than HK$593 million
Unaudited forecast basic earnings per Share(2).	not less than HK$61 cents

Notes:

(1) The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus.

(2) The calculation of forecast basic earnings per Share for the year ending 31 March 2010 is based on the forecast consolidated net profit attributable to equity holders of the Company for the financial year ending 31 March 2010 and a total of 965,088,000 Shares in issue during the entire year without taking into account any Shares that may be issued upon the exercise of the Over-allotment Option or upon any exercise of any options that may be granted under the Share Option Scheme.

OFFERING STATISTICS(1)

We have prepared the following offer statistics on the basis of the high end and low end of the indicative offer price range as disclosed in this prospectus, without taking into account the 1% brokerage fee, 0.004% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee.

	Based on an Offer Price of HK$8.50	**Based on an Offer Price of HK$11.80**
Market capitalisation of our Shares upon completion of the Global Offering(2)	HK$8.203 billion	HK$11.388 billion
Adjusted consolidated net tangible assets per Share(3)	HK$3.08	HK$3.86

Notes:

(1) All data in this table is based on the assumption that the Over-allotment Option is not exercised.

(2) The calculation of market capitalisation is based on 965,088,000 Shares expected to be in issue immediately upon completion of the Global Offering.

(3) The adjusted consolidated net tangible assets per Share is calculated after the adjustments referred to in the section entitled "Financial Information – Unaudited Pro Forma Adjusted consolidated Net Tangible Assets" in this prospectus and on the basis of a total of 965,088,000 Shares in issue, assuming completion of the Global Offering takes place on 30 March 2010.

If the Over-allotment Option is exercised in full, assuming an Offer Price of HK$10.15 (being the mid-point of the indicative offer price range of HK$8.50 and HK$11.80), the adjusted consolidated net tangible asset value per Share will be HK$3.69 per Share, while the earnings per Share on a pro forma fully diluted basis will be diluted to HK$0.59.

DIVIDENDS

We declared and paid approximately HK$22.6 million, HK$35.8 million, HK$43.0 million and HK$12.0 million in dividends for the Track Record Period, respectively. We declared and paid dividends of HK$268.4 million in November 2009.

Our Directors may recommend a payment of dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as they may deem relevant at such time. Any declaration and payment as well as the amount of a dividend will be subject to our constitutional documents and the Companies Act and, in addition, the declaration of a final dividend is subject to the approval of our Shareholders. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Our Directors currently intend to recommend a distribution to all Shareholders in an amount representing not less than 25% of the distributable net profit attributable to the equity holders of our Company in each of the financial years following the Global Offering (that is, for the avoidance of doubt, for the financial year ended 31 March 2010 and thereafter) by way of dividends. However, there can be no assurance that we will have distributable net profit from which to pay dividends in the future or that payment of such dividends will be approved by our Shareholders.

Any dividend declared will be paid in Hong Kong dollars with respect to our Shares on a per Share basis. Our Directors believe that our dividend policy mentioned above will not adversely affect our working capital position.

Our future dividend payments will also depend upon the availability of dividends received from our subsidiaries. Distributions from our subsidiaries may also be restricted to the extent that our subsidiaries incur debt or losses or pursuant to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries and associated companies may enter into in the future.

There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering payable by us and assuming that the Over-allotment Option is not exercised and an Offer Price of HK$10.15 per Offer Share, being the mid-point of the indicative offer price range stated in this prospectus) will be approximately HK$2,296 million. We currently intend to apply such net proceeds for the following purposes:

- approximately 17.7%, or HK$406.4 million, for the expansion of our retail presence in the PRC by establishing 25 stand-alone furniture outlets starting with the operation of the first of such outlets in Wuhan, Hubei;
- approximately 17.7%, or HK$406.4 million, for establishing a production and/or distribution centre in a city with high population density in northern PRC to improve access to inner regions of the PRC. We are in the process of securing a suitable location for this new centre;
- approximately 14.2%, or HK$326.0 million, for the construction of a new 300,000 sofa sets per annum production and distribution facility in Wujiang, Jiangsu (expected to be in operation by 31 March 2012) to better service our retail operations in cities near the Yangtze River Delta with the remaining HK$474.0 million to be funded with internal cash resources;
- approximately 14.2%, or HK$326.0 million, for the expansion of our retail network in the PRC to approximately 1,000 "Cheers" and "Enlanda" specialty stores in existing and new cities in the PRC by setting up new self-operated specialty stores and entering into distribution agreements with new distributors;
- approximately 14.2%, or HK$326.0 million, for the construction of Phase 3 of our Huizhou facility which will increase our sofa production capacity by approximately 300,000 sofa sets per annum and construction of which is expected to be completed by the end of the financial year ending 31 March 2011;
- approximately 10.6%, or HK$243.4 million, to increase our marketing and advertising efforts to strengthen our brand through (1) increased newspaper and television advertising in our target markets, (2) participation in trade exhibitions in the PRC and overseas and (3) increased efforts to protect our intellectual property, including registering trademarks in additional countries in which we sell our products;
- approximately 3.5%, or HK$80.4 million, to repay our existing debts due and payable in the next 12 months. Upon Listing, we will determine the priority of loans to be repaid based on the maturity dates of existing banking facilities and interest rates. Please see the section entitled "Financial Information – Credit Facilities" for details of the uses of these loans and the interest rates thereon; and
- approximately 7.9%, or HK$181.4 million, for our working capital and funding for potential strategic acquisitions. Our current plan is to acquire furniture-related assets or businesses that are related or complementary to our own business, however, we have not at this stage entered into any legally binding agreement or arrangement with respect to any such acquisition.

To the extent our net proceeds are less than expected, we will reduce the intended use of proceeds in respect of the construction of the production and distribution facility in Wujiang and finance the additional shortfall with internal cash resources.

Any additional net proceeds that we would receive from any exercise at any price within the stated offer price range, in full or in part, of the Over-allotment Option and any additional net proceeds will be applied first towards the construction of the production and distribution facility in Wujiang, Jiangsu followed by working capital and funding for potential strategic acquisitions.

To the extent that our net proceeds are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit the net proceeds into short-term interest bearing deposits and/or money market instruments.

We estimate that the net proceeds from the sale of the Sale Shares by the Selling Shareholders from the Global Offering (assuming that the Over-allotment Option is not exercised and an Offer Price of HK$10.15 per Offer Share, being the mid-point of the indicative offer price range stated in this prospectus) will be approximately HK$487.2 million. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders.

RISK FACTORS

Our operations and the Global Offering involve certain risks which are more fully set forth in the section entitled "Risk Factors" in the prospectus. These risks can be classified as follows:

Risks relating to our business

- Economic conditions and the resulting decline in consumer spending could harm our business and financial performance.
- We derive a substantial portion of our sales from the U.S. and our results of operations are affected by the level of consumer demand for our products in the U.S.
- Current economic conditions could harm our liquidity and our ability to obtain financing and increase counterparty risk.
- We may be subject to anti-dumping duties or trade quotas with respect to overseas sales, which could adversely affect our business and results of operations.
- Our sales may not continue to grow at the same rates that they have in the past.
- We may not succeed in expanding our sales networks to new regions.
- An increase in raw materials costs or our inability to procure raw materials at satisfactory prices may adversely affect our profitability.
- Pricing pressure from our competitors may harm our revenues and profitability.
- Our leases for our "Cheers", "Enlanda" and Morewell retail stores are generally short-tenured and we may not be able to renew such leases on favourable terms or at all.
- We depend on sales to our distributors and overseas customers for a significant portion of our revenues and failure to maintain our level of sales to them may affect our financial condition and results of operations.
- We rely on our brand names and the quality of the services offered by our distributors may harm our brand building efforts.

- Cost of compliance with the PRC Labour Contract Law, related social and housing contributions and other increases in labour costs may adversely affect our competitive advantage and profits.
- We are subject to shipping disruptions and changes in the price of ocean freight, which could adversely affect our sales and profits.
- As we increase capacity through expansion of production facilities, we face risks associated with the start-up/ramp-up of manufacturing.
- We are subject to the risk of fire and other hazards which may not be covered by our insurance policies and which may severely disrupt our business operations, resulting in loss of income and business opportunities.
- A shortage of electricity would disrupt our production and affect our business and financial performance.
- Competition from existing industry players and new entrants in our target markets may harm our financial performance.
- We may face product liability claims if our products are found to contain defects and we do not carry extensive product liability insurance.
- We may not be able to adequately protect our intellectual property rights which could harm our brand and our business.
- If we fail to maintain an effective system of internal controls, we may not be able to comply with the Hong Kong Listing Rules and other regulatory requirements.
- Our business operations may be harmed by present or future environmental regulations or enforcement.
- Our non-compliance with certain housing fund contributions regulations in the PRC could lead to the imposition of fines or penalties.
- We may be subject to additional U.S. Federal and State income tax.
- The outbreak of the H1N1 strain of influenza (swine influenza), severe acute respiratory syndrome (SARS) virus or other communicable diseases, such as avian influenza, in North America, Europe, Hong Kong or the PRC could harm our business, operations and financial performance.
- Failure to cater to changes in consumer taste and preferences and produce commercially viable designs will harm our business.
- We depend on our executive Directors, our senior management members and our skilled and innovative employees, and our business may be adversely affected if we fail to retain or hire these personnel.
- We may have difficulty managing any future growth that we might experience.
- Potential future acquisitions could be difficult to integrate, divert the attention of key management personnel, disrupt our business, dilute stockholder value and harm our financial results.
- Our executive Directors and Controlling Shareholders will retain significant control over our Company after the Global Offering, which will allow them to influence the outcome of matters submitted to Shareholders for approval.

Risks relating to doing business in the PRC

- Our growth in the PRC is substantially influenced by the growth of the PRC's middle-class.
- Our business activities could be influenced by economic and political considerations in the PRC.
- Uncertainties with respect to the PRC legal system could have a material adverse effect on us.
- Foreign exchange control in the PRC may affect the repatriation of funds from our PRC subsidiaries.
- We face foreign exchange and conversion risks, and fluctuation in the value of the Renminbi may have a material adverse effect on your investment.
- Inflation in China could negatively affect our profitability and growth.
- Under the New Enterprise Tax Law, its implementation rules and various other tax rules, we may be subject to a higher income tax rate and gains on the sales of our Shares may become subject to PRC income taxes.

Risks relating to the Global Offering

- The liquidity and price of our Shares may be volatile and you may not be able to resell our Shares at a profit or at all.
- As the Offer Price is higher than the net tangible asset value per Share, purchasers of the Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.
- Any potential sale by our existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.
- We are a holding company that relies heavily on dividend payments from our subsidiaries for funding.
- Our historical dividends may not be indicative of our future dividend policy.
- Investors may face difficulties in protecting their interests because we are incorporated under Bermuda Companies Law, which law may provide less protection to minority Shareholders than the laws of Hong Kong and other jurisdictions.
- Certain facts, forecasts and other statistics with respect to the PRC, North America, Europe and global economies and the global and PRC household furniture industry in this prospectus are derived from various official sources and may not be reliable.
- Investors should not rely on any information contained in press articles or other media regarding our Company or the Global Offering.

In this prospectus, unless the context otherwise requires, the following words and expressions have the following meanings.

Companies within our Group

"Alina"	Alina Limited, an exempted company incorporated in the Cayman Islands with limited liability on 13 February 2008 and is 83.35% owned by Man Wah Investments with the remaining 16.65% owned by Mr. Francis Lee Fook Wah, Mr. Stephen Allen Barr, Ms. Tai Chun Chun, Mr. Zeng Wen Li, Mr. Li Chun Hui and Mr. Li Jianhong. It is an investment holding company
"Bedding SZ"	King Famous Bedding Manufacturing (Shenzhen) Co., Ltd. (金雅典床具製造(深圳)有限公司), a limited liability company incorporated in the PRC on 15 November 2000, which is 100% owned by us. Its principal activity is manufacturing and trading mattresses and bedding accessories
"Bedding SZ Group"	Bedding SZ and its subsidiaries
"Beijing Min Hua Ai Meng"	Beijing Min Hua Ai Meng Furniture Co., Ltd. (北京敏華愛蒙家具有限公司), a limited liability company incorporated in the PRC on 1 April 2008, which is 100% owned by us. Its principal activity is trading mattresses
"Chengdu Minhua"	Chengdu Minhua Furniture Co., Ltd. (成都敏華家具有限公司), a limited liability company incorporated in the PRC on 28 August 2006, which is 100% owned by us. Its principal activity is trading mattresses and sofas
"Company"	Man Wah Holdings Limited 敏華控股有限公司, a limited liability company incorporated in Bermuda on 4 November 2004 and where the context otherwise requires, all of its subsidiaries and associated companies
"Dalian Man Wah"	Dalian Man Wah Furniture Co., Ltd. (大連敏華家具有限公司), a limited liability company incorporated in the PRC on 24 September 2009, which is 100% owned by us. Its principal activity is trading furniture

"Dongguan Man Wah"	Dongguan Man Wah Furniture Co., Ltd. (東莞敏華家具有限公司), a limited liability company incorporated in the PRC on 25 September 2009, which is 100% owned by us. Its principal activity is trading furniture
"Famous Bedding"	Famous Bedding Company Limited (雅典床具有限公司), a limited liability company incorporated in Hong Kong on 26 April 2000, which is 100% owned by us. It is an investment holding company
"Famous Bedding Group"	Famous Bedding and its subsidiaries
"Group", "we" or "us" or "our" or "our company"	the Company and its subsidiaries or, where the context so requires in respect of period before the Company became the holding company of its present subsidiaries, the present subsidiaries of the Company and the businesses carried on by such subsidiaries or (as the case may be) their predecessors
"Guangzhou An Lan Da"	Guangzhou An Lan Da Furniture Co., Ltd. (廣州安蘭大家具有限公司), a limited liability company incorporated in the PRC on 15 May 2008, which is 100% owned by us. Its principal activity includes trading mattresses
"Guangzhou Man Wah"	Guangzhou Man Wah Home Furnishing Co., Ltd. (廣州敏華家具有限公司), a limited liability company incorporated in the PRC on 4 January 2007, which is 100% owned by us. Its principal activity is trading furniture
"Hangzhou Man Wah"	Hangzhou Man Wah Furniture Co., Ltd. (杭州名華軒家具有限公司), a limited liability company incorporated in the PRC on 25 May 2009, which is 100% owned by us. Its principal activity is trading furniture
"Home Expo"	Home Expo (Hong Kong) Limited (家居博覽(香港)有限公司), a limited liability company incorporated in Hong Kong on 6 August 2009, which is owned as to 50% by us and the remaining 50% by Honourable Investment Limited, an Independent Third Party. Its principal activity is property investment

"Huizhou Ao Li"	Huizhou Ao Li Electronic Technology Co., Ltd. (惠州市傲力電子科技有限公司), a limited liability company incorporated in the PRC on 30 August 2007, which is 50% owned by us. The remaining 45% and 5% are owned by Xiamen Mengfali Technology (Group) Holdings Co., Ltd. (廈門蒙發利科技(集團)股份有限公司) and Mr. Lu Jisheng (陸吉生先生), both of whom are Independent Third Parties, respectively. Its principal activity is manufacturing and trading massage chairs
"Huizhou Carnival"	Huizhou Carnival Home Furnishing Co., Ltd. (惠州市嘉年名華家具有限公司), a limited liability company incorporated in the PRC on 8 February 2007, which is 100% owned by us. Its principal activity is trading furniture
"Man Wah Furniture (HZ)"	Man Wah Furniture Manufacturing (Huizhou) Co., Ltd. (敏華家具製造(惠州)有限公司), a limited liability company incorporated in the PRC on 23 June 2005, which is 100% owned by us. Its principal activities include manufacturing and trading sofas
"Man Wah Furniture (SZ)"	Man Wah Furniture Manufacturing (Shenzhen) Co., Ltd. (敏華家具製造(深圳)有限公司), a limited liability company incorporated in the PRC on 20 October 2004, which is 100% owned by us. Its principal activity is manufacturing sofas
"Man Wah Group"	Man Wah Group Limited (敏華集團有限公司*), a company incorporated in the BVI on 27 August 2004, which is 100% owned by us. It is an investment holding company
"Man Wah Industrial"	Man Wah Industrial Company Limited (敏華實業有限公司), a limited liability company incorporated in Hong Kong on 25 January 1994, which is 100% owned by us. Its principal activities include investment holding, manufacturing and trading of sofa and other furniture

* *for identification purposes only*

"Man Wah International"	Man Wah (International) Industrial Limited (敏華(國際)實業有限公司), a limited liability company incorporated in Hong Kong on 20 April 1995, which is 100% owned by us. Its principal activities include the trading of sofa and other furniture and property investment
"Man Wah Macau"	Man Wah (Macao Commercial Offshore) Limited (敏華(澳門離岸商業服務)有限公司), a limited liability company incorporated in Macau on 20 June 2005, which is 100% owned by us. Its principal activities include offshore sales, management business consultancy and back office support
"Man Wah Rong"	Man Wah Rong Furniture (Shenzhen) Co., Ltd. (敏華榮家具(深圳)有限公司), a limited liability company incorporated in the PRC on 20 May 1998, which is 100% owned by us. Its principal activities include the designing and manufacturing of sofa and trading of other furniture
"Man Wah USA"	Man Wah USA, Inc., a corporation incorporated in the United States on 16 August 2005, which is 100% owned by us. Its principal activities include advertising and marketing of home finishing products
"Man Wah (Wujiang)"	Man Wah Industrial (Wujiang) Co., Ltd. (敏華實業(吳江)有限公司), a limited liability company incorporated in the PRC on 23 May 2008, which is 100% owned by us. Its principal activity includes the manufacturing and trading of sofas, bedding products, other furniture and foam
"Nanchang Man Wah"	Nanchang Man Wah Furniture Co., Ltd. (南昌敏華家具有限公司), a limited liability company incorporated in the PRC on 13 March 2009, which is 100% owned by us. Its principal activity is trading furniture
"New Uifa"	Shenzhen New Uifa Furniture Manufacturing Co., Ltd. (新歐化家具製造(深圳)有限公司), a limited liability company incorporated in the PRC on 24 August 1994 and subsequently liquidated on 9 February 2010, which was 100% owned by us. Its principal activities included the manufacturing of sofa, other furniture and foam

"Shanghai Carnival"	Shanghai Carnival Home Furnishing Co., Ltd. (上海嘉年名華家具製造有限公司), a limited liability company incorporated in the PRC on 14 November 2006, which is 100% owned by us. Its principal activities include trading sofas and other furniture
"Shanghai Man Wah"	Shanghai Man Wah Furniture Co., Ltd. (上海敏華家具有限公司), a limited liability company incorporated in the PRC on 11 February 2009, which is 100% owned by us. Its principal activity is trading furniture
"Shenzhen An Lan Da"	Shenzhen An Lan Da Furniture Co., Ltd. (深圳安蘭大家具有限公司), a limited liability company incorporated in the PRC on 21 April 2008, which is 100% owned by us. Its principal activity is trading mattresses
"Shenzhen Carnival"	Shenzhen Carnival Home Furnishing Co., Ltd. (深圳嘉年名華家具有限公司), a limited liability company incorporated in the PRC on 8 January 2007, which is 100% owned by us. Its principal activities include trading sofas and other furniture
"Wuhan Man Wah"	Wuhan Man Wah Home Furnishing Co., Ltd. (武漢敏華家具有限公司), a limited liability company incorporated in the PRC on 18 January 2007, which is 100% owned by us. Its principal activity is trading furniture
"Xi An Man Wah"	Xi An Man Wah Furniture Co., Ltd. (西安名華軒家具有限公司), a limited liability company incorporated in the PRC on 17 April 2009, which is 100% owned by us. Its principal activity is trading furniture
"Zhuhai Man Wah"	Zhuhai Man Wah Furniture Co., Ltd. (珠海敏華家具有限公司), a limited liability company incorporated in the PRC on 9 October 2009, which is 100% owned by us. Its principal activity is trading furniture

General

"Application Form(s)"	the **WHITE**, **YELLOW** and **GREEN** Application Form(s) or where the context so requires, any of them, for the Hong Kong Offer Shares

"associate(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Board"	the board of Directors
"Business Day"	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are normally open for normal banking business
"BVI"	the British Virgin Islands
"Bye-laws"	the bye-laws of the Company, adopted on 5 March 2010 and as amended, supplemented or otherwise modified from time to time, a summary of which is set out in Appendix V to this prospectus
"CAGR"	compound annual growth rate
"CCASS"	the Central Clearing and Settlement System established and operated by HKSCC
"CCASS Clearing Participant"	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
"CCASS Custodian Participant"	a person admitted to participate in CCASS as a custodian participant
"CCASS Investor Participant"	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
"CCASS Participant"	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
"China" or "PRC" or the "People's Republic of China"	the People's Republic of China excluding, for the purpose of this prospectus, Hong Kong, the Macau Special Administrative Region of China and Taiwan
"Companies Act"	the Companies Act 1981 of Bermuda, as amended, supplemented or otherwise modified from time to time
"Companies Ordinance"	the Companies Ordinance, Chapter 32 of the Laws of Hong Kong, as amended, supplemented or otherwise modified from time to time

"Connected Person(s)"	has the meaning ascribed to it under the Hong Kong Listing Rules
"Controlling Shareholders"	Man Wah Investments and Mr. Wong
"CSRC"	China Securities Regulatory Commission (中國證券監督管理委員會)
"Deed of Indemnity"	the deed of indemnity dated 5 March 2010 executed by the Controlling Shareholders in favour of the Company, as referred to in the section entitled "Statutory and General Information – Further Information about the Business – Summary of material contracts" in Appendix VI of this prospectus
"Deed of Non-competition Undertaking"	the deed of non-competition undertaking executed by the Controlling Shareholders in favour of our Company on 5 March 2010, details of which are set out in the paragraph entitled "Non-competition undertaking" in the section entitled "Relationship with Controlling Shareholders" in this prospectus
"Delisting"	the voluntary delisting by the Company from the Singapore Stock Exchange effective from 15 September 2009, approved in a special general meeting of the Company held on 11 August 2009
"Delisting Offer"	the exit offer by Alina to purchase all of the ordinary shares of the Company, not otherwise held by Alina, at S$0.23 per Share to effect the Delisting
"DMF" or "di-methyl fumarate"	a chemical used to prevent the growth of mould that can cause deterioration of leather furniture or footwear during storage or transport, especially in humid climates
"Director(s)"	director(s) of the Company or any one of them
"Euromonitor" or "Euromonitor International"	Euromonitor International Plc, an Independent Third Party, which engages in the provision of international market intelligence including consumer products, services and lifestyles

"Euromonitor 2009 Report"	collectively, the industry reports relating to the Recliner Sofa markets in the PRC and U.S. prepared by Euromonitor in December 2009
"FIE"	Foreign Investment Enterprise
"FIE Tax Law"	Income Tax Law of the PRC for Foreign Investment Enterprises
"Forbes Asia"	a magazine published by Forbes, Inc., an American publishing and media company
"functional currency"	the currency of the primary economic environment in which each of our subsidiaries operates
"Furniture Today"	a leading trade publication and Independent Third Party based in the United States that publishes articles on the news and information on the furniture industry and products
"GDP"	Gross Domestic Product
"GFA"	gross floor area
"Global Financial Crisis"	the collapse of the price of financial assets in 2008, which resulted from the Sub-prime Mortgage Crisis and consequently led to a loss of liquidity and failures of several international financial institutions, negatively affecting asset prices worldwide and consumer confidence
"Global Offering"	the Hong Kong Public Offer and the International Offering
"Green Application Form(s)"	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
"HIBOR"	Hong Kong Interbank Offered Rate
"HK$" or "HK dollars"	Hong Kong dollars, the lawful currency of Hong Kong
"HKSCC"	Hong Kong Securities Clearing Company Limited

"HKSCC Nominees"	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the People's Republic of China
"Hong Kong Listing Rules"	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (as amended, supplemented or otherwise modified from time to time)
"Hong Kong Offer Shares"	the 28,927,200 new Shares being initially offered by the Company for subscription at the Offer Price pursuant to the Hong Kong Public Offer (subject to reallocation as described in the section entitled "Structure of the Global Offering" in this prospectus)
"Hong Kong Public Offer"	the offer by the Company of the Hong Kong Offer Shares for subscription by the public in Hong Kong for cash (subject to adjustment as described in the section entitled "Structure of the Global Offering" in this prospectus) at the Offer Price (plus brokerage of 1%, SFC transaction levy of 0.004% and the Hong Kong Stock Exchange trading fee of 0.005%) subject to and in accordance with the terms and conditions described in this prospectus and the Application Forms, as further described in the paragraph entitled "The Hong Kong Public Offer" under the section entitled "Structure of the Global Offering" in this prospectus
"Hong Kong Share Registrar"	Computershare Hong Kong Investor Services Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Hong Kong Underwriters"	the underwriters listed in the section entitled "Underwriting" in this prospectus, being the underwriters of the Hong Kong Public Offer
"Hong Kong Underwriting Agreement"	the conditional underwriting agreement relating to the Hong Kong Public Offer and entered into by, among others, the Company, the Hong Kong Underwriters and further described in the paragraph entitled "Underwriting arrangements and expenses" under the section entitled "Underwriting" in this prospectus

"IMF"	International Monetary Fund
"Independent Third Party(ies)"	a person who is not a Connected Person
"International Offer Shares"	the 212,344,800 new Shares initially being offered by the Company and the 48,000,000 Sale Shares being offered by the Selling Shareholders for subscription under the International Offering together, where relevant, with any Shares that may be issued or sold pursuant to any exercise of the Over-allotment Option, and subject to reallocation as described in the section entitled "Structure of the Global Offering" in this prospectus
"International Offering"	the conditional placing of the International Offer Shares by the International Underwriters to professional and/or institutional investors at the Offer Price, as further described in the section entitled "Structure of the Global Offering" in this prospectus
"International Underwriters"	the underwriters of the International Offering expected to enter into the International Underwriting Agreement as purchasers on or around the Price Determination Date
"International Underwriting Agreement"	the international underwriting agreement relating to the International Offering expected to be entered into by, among others, the Company and the International Underwriters on or around the Price Determination Date, as further described in the paragraph entitled "International Offering" under the section entitled "Underwriting" in this prospectus
"Latest Practicable Date"	Wednesday, 10 March 2010, being the latest practicable date for the purpose of ascertaining certain information contained in this prospectus prior to its publication
"LIBOR"	London Interbank Offered Rate
"Listing"	listing of the Offer Shares on the Main Board
"Listing Committee"	the listing committee of the Hong Kong Stock Exchange

"Listing Date"	the date, expected to be on or about Wednesday, 30 March 2010 on which the Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
"Macquarie", "Sole Sponsor", "Sole Global Coordinator" or "Sole Lead Manager"	Macquarie Capital Securities Limited, the sole global coordinator, sole bookrunner, sole sponsor and sole lead manager of the Global Offering and a licensed corporation holding a licence under the SFO to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO
"Main Board"	the stock exchange (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange
"Man Wah Far East"	Man Wah Far East Limited (敏華遠東有限公司), a limited liability company incorporated in Hong Kong on 14 July 2008 and is wholly owned by Man Wah Investments. It is an investment holding company
"Man Wah Investments"	Man Wah Investments Limited, a limited liability company incorporated in the BVI on 27 August 2004 and owned as to 80% by Mr. Wong and 20% by Mrs. Wong. It is an investment holding company
"Memorandum" or "Memorandum of Association"	the memorandum of association of the Company, adopted on 2 November 2004 and as amended, supplemented or otherwise modified from time to time
"Ministry of Commerce"	The Ministry of Commerce of the People's Republic of China (中華人民共和國商務部)
"Mr. Wong"	Mr. Wong Man Li, our founder, chairman, one of our executive Directors and the husband of Mrs. Wong
"Mrs. Wong"	Ms. Hui Wai Hing, one of our executive Directors and the wife of Mr. Wong
"M&A rules"	the Provisions on the Mergers and Acquisitions of Domestic Enterprises by Foreign Investors《關於外國投資者併購境內企業的規定》

"NDRC"	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
"New Enterprise Tax Law" or "New EIT Law"	The Law of the PRC on Enterprise Income Tax promulgated by Order No. 63 of the President of the Mainland PRC
"Offer Price"	the final offer price per Offer Share (exclusive of a brokerage fee of 1%, an SFC transaction levy of 0.004% and a Hong Kong Stock Exchange trading fee of 0.005%) of not more than HK$11.80 and expected to be not less than HK$8.50, at which the Offer Shares are to be subscribed for and issued pursuant to the Hong Kong Public Offer, to be agreed upon by the Company (for itself and on behalf of the Selling Shareholders), and the Sole Global Coordinator (on behalf of the Underwriters) on or before the Price Determination Date as further described in the section entitled "Structure of the Global Offering" in this prospectus
"Offer Shares"	the Hong Kong Offer Shares and the International Offer Shares together, where relevant with any additional Shares issued and sold pursuant to the exercise of the Over-allotment Option
"Ogilvy & Mather"	Ogilvy & Mather (Hong Kong) Private Limited (奧美（香港）廣告有限公司), an Independent Third Party
"Over-allotment Option"	the option to be granted by the Company and Mr. Li Chun Hui to the International Underwriters, pursuant to which the Company will issue and allot up to 36,190,800 additional Offer Shares (representing 15% of the new Shares initially being offered by the Company under the Global Offering) and Mr. Li Chun Hui will sell up to 7,200,000 additional Sale Shares (representing 15% of the Sale Shares initially being offered by the Selling Shareholders under the International Offering) at the Offer Price; which is exercisable from the date of the International Underwriting Agreement until 30 days after the last day for the lodging of applications under the Hong Kong Public Offer as described in the section entitled "Structure of the Global Offering" in this prospectus

"Patent Re-examination Board"	the Patent Re-examination Board of Committee State Intellectual Property Office of the PRC (國家知識產權局專利復審委員會)
"PBOC"	People's Bank of China (中國人民銀行), the central bank of China
"PRC GAAP"	the PRC Accounting Standards for Business Enterprises, and the Application Guidance for Accounting Standard for Business Enterprise and Interpretation of Accounting Standards for Business Enterprises and other relevant regulations
"PRC government" or "state"	the government of the PRC including all political subdivisions (including provincial, municipal and other regional or local government entities) and their instrumentalities thereof or, where the context requires, any of them
"PRC Intellectual Property Office"	State Intellectual Property Office of the PRC (中華人民共和國國家知識產權局)
"PRC State Council"	State Council of the PRC (中華人民共和國國務院)
"PRC Trademark Office"	Trademark Office of the State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局商標局)
"Price Determination Date"	the date, expected to be on or around Wednesday, 24 March 2010 but no later than Sunday, 28 March 2010, on which the Offer Price is fixed by agreement between the Company (for itself and on behalf of the Selling Shareholders) and the Sole Global Coordinator (on behalf of the Underwriters) to determine the Offer Price
"QIBs"	qualified institutional buyers within the meaning of Rule 144A
"Qualified Domestic Institutional Investors"	has the meaning ascribed to it under the Trial Measures of the Administration of Overseas Securities by Qualified Domestic Institutional Investors promulgated by CSRC, effective from 5 July 2007

"Recliner Sofa"	an upholstered sofa that allows the user to adjust the back and leg rest to suit his/her preference at any given time
"Regulation S"	Regulation S under the U.S. Securities Act
"Reorganisation"	the reorganisation of our Group in anticipation of the Listing, details of which are set out in the section entitled "Reorganisation" in Appendix VI of this prospectus
"RMB" or "Renminbi"	Renminbi Yuan, the lawful currency of China
"Rule 144A"	Rule 144A under the U.S. Securities Act
"S$"	Singapore dollars, the lawful currency of Republic of Singapore
"SAFE"	State Administration of Foreign Exchange of China (中華人民共和國國家外匯管理局), the PRC governmental agency responsible for matters relating to foreign exchange administration
"SAIC"	State Administration for Industry and Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Sale Shares"	48,000,000 Shares owned and initially being offered for sale by the Selling Shareholders at the final Offer Price under the International Offering
"sectional"	upholstered seating created with multiple connected units usually designed to seat two or more people
"Selling Shareholders"	Mr. Francis Lee Fook Wah, one of our Directors, Ms. Tai Chun Chun and Mr. Li Chun Hui, the particulars of whom are set out in the section entitled "Statutory and General Information – Particulars of the Selling Shareholders" in Appendix VI of this prospectus
"SFC"	the Securities and Futures Commission of Hong Kong
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

"Shares"	ordinary shares in the Company with a nominal value of HK$0.40 each, for which an application has been made for listing and permission to deal on the Hong Kong Stock Exchange, and which are subscribed for and traded in Hong Kong dollars
"Share Option Scheme"	the share option scheme we conditionally adopted pursuant to a resolution passed by our shareholders on 5 March 2010, a summary of the principal terms of which is set out in the section entitled "Statutory and General Information – Share Option Scheme" in Appendix VI in this prospectus
"Shareholder(s)"	holder(s) of our Shares
"SIBOR"	Singapore Interbank Offered Rate
"Singapore Stock Exchange" or "SGX-ST"	Singapore Stock Exchange Securities Trading Limited
"Social Insurance Funds"	funds administered by the Company and to which the Company contributes financial resources for certain employee needs in the PRC such as pensions, medical insurance, unemployment insurance, work-related injury insurance and housing
"sq.ft."	square feet
"sq.m."	square metre
"Stabilising Manager"	Macquarie or any of its affiliates
"Stock Borrowing Agreement"	the stock borrowing agreement which may be entered into on or about the Price Determination Date between Man Wah Investments and the Stabilising Manager
"Sub-prime Mortgage Crisis"	the ongoing financial crisis triggered by a dramatic rise in mortgage delinquencies and foreclosures beginning in 2007, which negatively affected financial institutions worldwide and led to the Global Financial Crisis
"subsidiary"	has the meaning ascribed to it in the Hong Kong Listing Rules

"substantial shareholder"	has the meaning ascribed to it in the Hong Kong Listing Rules
"Track Record Period"	the periods comprising the three financial years ended 31 March 2009 and six months ended 30 September 2009 and where the context requires, the three years and six months comprised therein
"Underwriters"	the Hong Kong Underwriters and the International Underwriters
"Underwriting Agreements"	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
"U.S." or "United States"	the United States of America, its territories and possessions, and all areas subject to its jurisdiction, and the District of Columbia
"U.S. Person"	has the meaning given to it in Regulation S
"U.S. Securities Act" or "Securities Act"	the United States Securities Act of 1933, as amended, supplemented or otherwise modified from time to time and the rules and regulations promulgated thereunder
"US$" or "US dollars" or "USD"	United States dollars, the lawful currency of the United States
"VAT"	value-added tax
"Weston International"	Weston International Investment Limited, a limited liability company incorporated in Hong Kong on 25 July 2008 and wholly owned by Mr. Yu Tung Wan, one of our executive Directors. It is an investment holding company
"White Application Form"	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be issued in the applicants' own name
"White Form eIPO"	applying for Hong Kong Offer Shares to be issued in the applicant's own name, submitted applications online through the designated website of the White Form eIPO Service Provider, **www.eipo.com.hk**

"White Form eIPO Service Provider"	Computershare Hong Kong Investor Services Limited
"Yellow Application Form"	the form of application for the Hong Kong Offer Shares for use by the public who require such Hong Kong Offer Shares to be deposited directly into CCASS
"%"	per cent

For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency between the Chinese names of the PRC entities mentioned in this prospectus and their English translations, the Chinese names shall prevail.

This prospectus contains forward-looking statements that are, by their nature, subject to significant risks and uncertainties. These forward-looking statements include, without limitation, statements relating to:

- our business and operating strategies and our various measures to implement such strategies;
- our dividend distribution plans;
- our operations and business prospects, including our development plans for our existing and new businesses;
- our ability and expected timetable to complete our developments and expansion projects;
- our capital commitment plans, particularly plans relating to acquisition of new businesses;
- our financial condition;
- our capital expenditure plans and our expectations of the cost of development of our new projects;
- the regulatory environment in the PRC; and
- future developments and the competitive environment in the sofa, bedding and mattresses industries.

The words "anticipate", "believe", "continue", "estimate", "could", "expect", "intend", "may", "plan", "potential", "predict", "project", "seek", "should", "will", "would" and the negatives of these terms and similar expressions, as they relate to us, are intended to identify a number of these forward-looking statements. These forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance and are subject to risks, uncertainties and assumptions, including the risk factors as disclosed in this prospectus.

Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove to be incorrect, our financial condition may be adversely affected and may vary materially from those described herein as anticipated, believed, estimated or expected.

Accordingly, the statements herein are not a guarantee of our future performance and you should not place undue reliance on such forward-looking information. We undertake no obligation to publicly update or revise any forward-looking statements contained in this prospectus, whether as a result of new information, future events or otherwise, except as required by applicable laws, rules and regulations. All forward-looking statements contained in this prospectus are qualified by reference to this cautionary statement.

We are vulnerable to a number of risks applicable to the industry and the areas in which we operate. Our business, financial condition or results of operations could be materially and adversely affected should any of these risks materialise. This prospectus also contains forward-looking statements that involve risks and uncertainties. You should pay particular attention to the fact that part of our business is located in the PRC and governed by a legal and regulatory environment that may differ in some respects from what prevails in other countries. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including, but not limited to, the risks described below and elsewhere in this prospectus. Additional risks and uncertainties of which we are unaware or that we currently deem immaterial may also become important factors that affect us. The trading price of the Shares may decline due to any of these risks, and you may lose all or part of your investment. You should consider carefully, together with all other information contained in this prospectus, the factors described below before deciding to invest in our Shares and seek professional advice from the relevant advisers about your particular circumstances.

RISKS RELATING TO OUR BUSINESS

Economic conditions and the resulting decline in consumer spending could harm our business and financial performance.

Our performance depends significantly on general economic conditions and their impact on consumer confidence and discretionary consumer spending, which have recently deteriorated significantly and may remain depressed for the foreseeable future. Our sales and the collection of our trade receivables may decline due to the current decrease and any future decrease in economic activity in the PRC, North America, Europe or other regions of the world in which we do business. Further, economic factors such as a reduction in the availability of credit, increased unemployment levels, higher oil and energy costs, rising interest rates, adverse conditions in the housing markets, financial market volatility, recession, reduced consumer confidence, increased savings rates, and other factors affecting consumer spending behaviour such as acts of terrorism or major epidemics (including SARS, H1N1 or other influenzas) could reduce demand for our products. While we have experienced an increase in sales despite the challenging economy, if general economic conditions remain depressed, we may not be able to continue to increase or maintain our sales levels. In addition, reduced consumer spending may cause us to lower prices, which would reduce our gross profit.

We derive a substantial portion of our sales from the U.S. and our results of operations are affected by the level of consumer demand for our products in the U.S.

A substantial portion of our revenue is currently derived from sofa export sales to the U.S. and we anticipate that sofa export sales to the U.S. will continue to be significant. Our revenues attributable to sofa export sales to the U.S. for the Track Record Period were HK$201.7 million, HK$514.2 million, HK$777.4 million and HK$644.0 million, respectively, representing 22.8%, 33.3%, 39.6% and 48.5% of our total revenues during these periods. Therefore, our results of operations are largely affected by the level of consumer demand for our products in the U.S. which is in turn influenced by a number of factors some of which are beyond our control, including, amongst others, the recent economic downturn. While our revenue in the U.S. has been growing despite the economic downturn, should general economic conditions remain weak, consumer demand for our products may decline as end customers defer or delay furniture purchases, which could result in declines in our sales and results of operations. Further, when the U.S. economy rebounds, consumer preferences may shift toward more expensive sofa and home furnishing products that we may not offer, which could also harm our sales and results of operations.

Current economic conditions could harm our liquidity and our ability to obtain financing and increase counterparty risk.

We are a party to loan agreements with various lending institutions. The current economic environment could cause lenders and other counterparties who provide us credit to reduce our credit lines or cease providing credit to us. While the Global Financial Crisis has not adversely affected our ability to obtain necessary funding during the Track Record Period, our access to additional financing will depend on a variety of factors (many of which we have little or no control over) such as market conditions, the general availability of credit, the overall availability of credit to our industry, our credit ratings and credit capacity, as well as the possibility that lenders could develop a negative perception of our long-term or short-term financial prospects. Additionally, a majority of our bank loans have floating interest rates and thus we face risks from a possible increase in interest rates.

We may be subject to anti-dumping duties or trade quotas with respect to overseas sales, which could adversely affect our business and results of operations.

We export many of our furniture products to customers in other countries, including the U.S. and many countries in Europe. Any trade restrictions such as anti-dumping duties, tariffs or quota fees imposed by the countries to which we export our products, or a trade war involving our products could significantly increase the prices of our products in such countries. For example, in January 2005, the U.S. Department of Commerce imposed an anti-dumping duty with an average rate of 6.65% of import invoice value on more than 100 Chinese manufacturers that sell wooden bedroom furniture in the U.S. Although, we do not export wooden bedroom furniture into the U.S. and, thus, have not been subject to any anti-dumping duty at this point, we may be subject to such a duty with other furniture. If we were not able to pass such additional costs on to our customers, our margins could be adversely affected, which could harm our financial position, business or results of operations. Further, if we are unable to pass such costs on to our customers, increasing prices of our products could harm our sales. As we cannot accurately predict whether any anti-dumping duties, tariffs or quota fees will be imposed in the future, we do not make any provisions in our accounts for any anti-dumping duty payments, tariffs or quota fees.

Our sales may not continue to grow at the same rates that they have in the past.

Continued sales growth is dependent on a variety of factors, including, amongst others, our ability to continue to source raw materials at competitive costs, the continued demand for our products, the continued growth and urbanisation of the middle-class in the PRC, our ability to fund further growth, our ability continue to expand both our domestic and international sales networks and our ability to generate additional sales from our existing customers. We do not have long-term supply contracts with any of our customers and going forward our customers may choose to decrease the number of products purchased from us or some of our customers could stop carrying our products entirely. The loss of, or a substantial decrease in the amount of purchases by, any one or more of our significant customers could reduce our sales. If we fail to sustain sales or to grow sales, our results of operations and financial condition will be harmed.

We may not succeed in expanding our sales networks to new regions.

A substantial part of our growth strategy involves expanding our sales networks to new regions in the PRC and overseas. Our success in continuing to expand our sales networks to new regions is dependent on various factors including, amongst others:

- developing a qualified labour force;
- complying with local laws and regulations;
- assessing the impact of local taxes and exemptions on our operations;
- understanding cultural differences;
- effectively enforcing contractual or other legal rights; and
- efficiently sourcing raw materials.

If we fail to successfully manage these factors, or other risks that we do not anticipate, we may incur increased and unbudgeted expenses, or our revenues may not increase sufficiently to offset any increase in budgeted expenses, which could in turn harm our business and results of operations.

An increase in raw materials costs or our inability to procure raw materials at satisfactory prices may adversely affect our profitability.

The principal raw materials we use in our production processes are treated leather, PVC leather, wood, foam and chemicals. Cost of raw materials consumed accounted for approximately 94.1%, 91.9%, 89.9% and 87.9% of our cost of goods sold for the Track Record Period. We source most of our treated leather from Italy and the PRC, and chemicals mainly from chemical companies in the U.S., Australia and Hong Kong. We also source some treated leather and PVC leather mainly from the PRC and our wood components from Argentina. The prices of the raw materials may fluctuate due to supply factors such as an outbreak of bovine spongiform encephalopathy (commonly known as the “mad cow disease”) which may result in widespread destruction of cattle thereby affecting the supply of leather, and demand factors such as general market conditions and the availability of alternative comparable materials. An increase in oil prices, which have been volatile in recent years, will also result in an increase in prices of raw materials such as chemicals and PVC leather which are petroleum-based products. As we do not enter into any long-term supply agreements with our suppliers, we are subject to risks from fluctuations in raw materials costs and the risk of not being able to purchase sufficient quantities of raw materials to meet our production requirements. If we are unable to obtain raw materials at satisfactory prices or unable to pass increased costs on to our customers, our profitability and hence financial performance may be harmed. In addition, if we are unable to find alternative supplies of raw materials, our production activities will be harmed.

Pricing pressure from our competitors may harm our revenues and profitability.

The pricing of competing products by our major competitors may affect the pricing of our products. If our major competitors were to reduce their prices significantly, we may have to reduce our selling prices in order to remain competitive and this would likely reduce our revenues and profitability.

Our leases for our "Cheers", "Enlanda" and Morewell retail stores are generally short-tenured and we may not be able to renew such leases on favourable terms or at all.

We operate all of our retail stores out of premises leased from third parties. These leases typically have tenures of one or two years and generally do not contain renewal clauses. Regarding the self-operated stores, we cannot be certain that our landlords hold all relevant property ownership certificates or all requisite governmental approvals in connection with the construction of the leased properties or documents authorising the right to sublease. As such, third parties, including relevant government authorities, may interfere with our use and occupation of these leased properties during the term of the lease or prevent us from renewing the leases as they expire. Additionally, if any landlord has no right to lease the property, we may be subject to the risk that we cannot continue to use the leased property. If we are unable to renew these tenancy agreements at similar or more favourable terms upon expiry, or if the lease agreements are terminated prematurely due to various reasons and we are unable to find alternative premises to house our retail stores, our performance may be adversely affected. Even if we are able to find and lease suitable alternative premises on similar or no less favourable terms, relocation is costly and time consuming, and may result in potential lost sales in the interim. Further, our regular customers may not be able to find us at our new premises, and this could have an adverse impact on our sales and financial performance. Please refer to Appendix IV of this prospectus for more information on our lease agreements.

We depend on sales to our distributors and overseas customers for a significant portion of our revenues and failure to maintain our level of sales to them may affect our financial condition and results of operations.

During the Track Record Period, our aggregate sales to distributors and overseas customers accounted for 88.5%, 81.7%, 81.5% and 84.2% of our total revenue, respectively. Our remaining sales during the Track Record Period were made directly by us through our self-operated "Cheers" and "Enlanda" specialty stores. We therefore expect to continue to rely on our distributors and overseas customers for a substantial portion of our sales. As such, the sales performance of our distributors and overseas customers is an important factor to the future growth of our business. We cannot assure you that our distributors and overseas customers will continue to maintain relationships with us or that they will continue to procure our products at similar volumes or at all. The current economic global downturn has harmed certain of our distributors and overseas customers. If these distributors and overseas customers continue to experience a downturn in their respective businesses, their demand for our products may decrease or they may not be able to make scheduled payments or obtain credit, which would in turn harm our financial condition. Further, our distributors and overseas customers may be forced to liquidate, reorganise or consolidate their operations which could adversely affect us.

We rely on our brand names and the quality of the services offered by our distributors may harm our brand building efforts.

Our effective marketing strategy has helped us to develop our brand names "Cheers" and "芝華仕" to represent high quality affordable luxury products and helped us to become a market leader in the PRC in terms of revenue in the Recliner Sofa industry. Our continuous success depends to a large extent on our ability to continue to build our "Cheers", "芝華仕", "Land", "Enlanda" and "Enlanda 愛蒙" brands. However, our brand and reputation are impacted by the service that consumers receive in connection with purchases of our products. While we strive to provide excellent customer service in our self-operated specialty stores, those efforts may not always be successful. We also rely on a number of distributors that we do not own or control to sell our products under our brand names and have little ability to influence the levels of customer service these distributors provide. If our distributors are unable to deliver satisfactory services to the end customers, our reputation, products or brand names may be adversely affected, which could in turn negatively impact our business, financial condition or results of operations.

Cost of compliance with the PRC Labour Contract Law, related social and housing contributions and other increases in labour costs may adversely affect our competitive advantage and profits.

The furniture manufacturing industry is labour intensive. We consider the location of our manufacturing facilities in the PRC to be one of our competitive strengths, as the cost of labour in the PRC is relatively low, particularly in comparison to the cost of labour in the U.S. and Europe. We cannot assure you that the cost of labour in the PRC will not increase in the future. Labour costs in the PRC are primarily a function of the demand and supply of labour, general economic conditions and the standard of living in the PRC. If labour costs in the PRC increase, our costs will increase and we may not be able to pass these increases on to our customers due to competitive pricing pressures. In addition, an increase in labour costs may result in a loss of our competitive advantage relative to our competitors who manufacture or source their products from places outside the PRC where labour costs may remain lower which could harm our profitability.

In particular, we are subject to the PRC Labour Contract Law, which became effective on 1 January 2008 and regulates workers' rights in the PRC concerning overtime hours, pensions and the role of trade unions and provides for specific standards and procedures for termination of employment. The PRC Labour Contract Law has increased our operating expenses and in the event that we decide to terminate some of our employees or otherwise change our employment or labour practices, the PRC Labour Contract Law may limit our ability to effect these changes in a manner that we believe to be cost-effective or desirable. Any increase in our operating expenses could have a material adverse effect on our financial condition and results of operations.

Under the relevant PRC laws and regulations we are required to make contributions to Social Insurance Funds, including pension funds, medical insurance (including maternity insurance), unemployment insurance, work-related injury insurance and housing funds for our employees in the PRC. During the Track Record Period, our contributions to the various Social Insurance Funds for the Track Record Period amounted to approximately HK$0.7 million, HK$0.8 million, HK$1.3 million and HK$1.3 million, respectively. However, our experience is that there are different levels of acceptance of the housing fund system by our employees, differences in local regulations and inconsistent implementation or interpretation by local authorities in the PRC. If the interpretation and enforcement by the different local authorities were to the strict letter of the law, there is no assurance that, despite enquiries and confirmations from the relevant local authorities and steps we have taken to ensure better compliance in this regard, there will not be liabilities or penalties for what may, in future, be determined, to be shortfall in payment. Any penalties against us in respect of outstanding housing fund contributions could have an adverse effect on our reputation, cash flow and results of operations.

We are subject to shipping disruptions and changes in the price of ocean freight, which could adversely affect our sales and profits.

Substantially all our sofas for export and many of our raw materials are shipped out of or into the PRC by ships at prevailing ocean freight prices. Ocean freight expenses fluctuated based on supply and demand and oil prices during the Track Record Period and we cannot accurately forecast whether ocean freight prices may increase in the future. During the Track Record Period, our ocean freight expenses were HK$10.36 million, HK$76.07 million, HK$117.5 million and HK$72.2 million, respectively. The increases in freight expenses for each of the financial years ended 31 March 2007, 2008 and 2009 generally corresponded with the increase in our sales over the same periods. We observed that average freight costs began gradually decreasing as a result of the Global Financial Crisis and continued to decline and remained low in the wake of the Global Financial Crisis as a result of which our freight expenses for the six months ended 30 September 2009 did not increase in-line with our sales over the same period. If ocean freight prices were to rise, our overall costs may increase and negatively impact our profits and we may find it more difficult to compete with North American or European competitors who do not incur substantial shipping costs. We are also subject to shipping disruptions due to various reasons such as weather conditions, political turmoil, piracy, social unrest and port strikes, which may lead to delayed or lost shipments and may harm our reputation, customer relations or our export sales.

As we increase capacity through expansion of production facilities, we face risks associated with the start-up/ramp-up of manufacturing.

We plan future production expansion projects in anticipation of increased demand for our products, including the new production and distribution facility that we intend to build in Wujiang, Jiangsu. However, if this demand does not materialise, we will not generate sufficient revenue to offset the costs of maintaining, expanding and operating these facilities, which could decrease our profits and prevent us from growing our business. Additionally, as we increase our production, we may encounter risks associated with our manufacturing that may harm our profitability, such as:

- the cost and availability of raw materials;
- difficulties processing, handling and shipping the higher quantities of sofa sets, mattresses and bedding accessories;
- higher than expected costs with respect to constructing, operating and maintaining new production facilities;
- higher than expected product defects;
- failure to comply with environmental and regulatory requirements;
- failure to hire and train additional manufacturing personnel; and
- failure to develop and implement cost-efficient manufacturing processes.

If we were to experience any one or more of these problems, or our production expansion projects do not achieve the intended economic benefits there could be a material adverse effect on our business, financial condition, and/or results of operations.

We are subject to the risk of fire and other hazards which may not be covered by our insurance policies and which may severely disrupt our business operations, resulting in loss of income and business opportunities.

Our business requires the use of flammable materials such as treated leather, PVC leather, wood, foam and flammable chemicals which are stored in our production facilities. Our production facilities also house sofas, mattresses and other furniture at various stages of completion. Our retail stores showcase sofas, tea tables, tables, cupboards, bedding furniture and mattresses, all of which are susceptible to the risk of fire. Additionally, substantially all our sofas for export and many of our raw materials are shipped ocean freight are subject to hijacking by pirates. As a result, our business may be adversely affected due to the occurrence of fire, typhoons, earthquakes, floods or other natural disasters or similar events at our production facilities, retail stores, in transit or at sources of raw materials for our products. We cannot assure you that we will have adequate, or any, insurance for any losses we incur. In the event that an accident or natural disaster occurs, we could suffer financial losses, product losses and damage to our reputation. Any material loss even if covered by our insurance could harm our business and financial condition and results of operations. Please refer to the section entitled "Business – Insurance" in this prospectus for more information on our insurance policies.

A shortage of electricity would disrupt our production and affect our business and financial performance.

Our revenues are dependent on the continued operations of our sofa production facilities, in Huizhou Daya Bay and Shenzhen. A disruption in the supply of utilities, failure or substandard performance of our machinery, typhoons, floods or other calamities resulting in a prolonged power outage, could result in an interruption or delay of, or require us to curtail, our operations. In addition, we might be subjected to rationing of electricity supply to all of our production facilities. Although we have our own generators which are able to generate an adequate amount of electricity for our production facilities during the electricity rationing periods, there is no assurance that our generators will not break down. Any disruption at our production facilities will result in longer lead times for the production of our sofas, mattresses and other products, and consequently, this may lead to a delay in delivery to our customers. Failure to meet delivery deadlines may result in the loss of business or claims against us and affect our business, profitability and reputation.

Competition from existing industry players and new entrants in our target markets may harm our financial performance.

The home furniture industry is highly competitive and fragmented due to low barriers of entry amongst other factors. The elements of competition include cost, quality, design, strength of brand, functionality, production capacity, speed of delivery and marketing. Our competitors, particularly in North America and Europe, are significantly larger than we are in terms of their assets, manufacturing facilities, sales, distribution networks and financial resources and thus benefit from superior economies of scale. Additionally, because we commenced sale of our products in North America and Europe in 1997 and 2001, respectively, some of our competitors have more experience and traction in those markets. We also compete against new entrants to our target markets, some of whom may be able and willing to invest significant resources in building their businesses, including by reducing prices to gain market share. In the event we are unable to maintain our competitiveness against both our existing competitors and new entrants, we may not be able to retain our present customers and/or secure new customers. This would reduce our revenue and profits. Further details of our competitors are found in the section entitled "Business – Competition" in this prospectus.

We may face product liability claims if our products are found to contain defects and we do not carry extensive product liability insurance.

We produce and sell sofas, mattresses and other home furnishing products and are therefore exposed to risks of product liability claims, such as unsafe or defective products and inadequacy of warnings and instructions on the usage of our products. Product liability claims may arise in the event that the use or misuse of any of our products results in personal injury or property damage. As advised by our PRC legal adviser, product liability insurance is not mandatory under PRC law. As such, we currently only maintain product liability insurance for the products we sell to our customers overseas. If any successful product liability claim is brought against us for damages, our financial condition could be harmed whether or not such claim is covered by insurance. If we are required to indemnify our retailers, we may also incur significant costs. Additionally, in the event that any of our products proves to be defective, including the leather sofa products referenced in the below-mentioned claims, we may be required to recall or redesign such products. If we are found to be liable for a product liability claim, we could be required to pay substantial monetary damages, and the PRC government may even close down our operations. Even if we successfully defend ourselves against a claim, we could be forced to spend a substantial amount of money and time in defending such a claim and our reputation and future prospects could suffer.

In April and September 2009, we were informed by an insurer of one of our retailers in the U.K. and their legal counsel that certain customers of the retailer were alleging that they had suffered adverse skin reactions/dermatitis as a result of using our products. We were further informed that these customers are in the process of quantifying their claims which include claims for damages for personal injuries and consequent losses and expenses, together with interest and legal costs. In December 2009, legal counsel for the insurer informed us of a mediation between the insurer and the customers but did not provide any details or substantiation of the claims. As at the Latest Practicable Date, we were not aware of any legal proceedings having been served on us in respect of, and our business has not been affected by, these allegations. Based on legal advice obtained, our Directors believe that the claims are without merit and will take all necessary action to refute and defend the Company against these claims.

We may not be able to adequately protect our intellectual property rights which could harm our brand and our business.

Our principal intellectual property rights include our “Cheers”, “芝華仕”, “Enlanda” and “Enlanda 愛蒙” trademarks. The trademarks essential to our sofa business, such as “Cheers” and/or “芝華仕” are registered in the PRC, U.S., Hong Kong and the E.U. for the appropriate category for use with sofas (*i.e.*, Class 20). We are also trying to register our “芝華仕” trademark for use in various other categories in the PRC, including leather, textile, bed cover, advertising and industrial operation, but Chivas Brothers (Americas) Limited (芝華士兄弟(美洲)有限公司) has objected claiming that this trademark is substantially similar to one of their marks. Accordingly, we may not be entitled to the same protections with respect to use of “芝華仕” for other purposes and may also be restricted from entering into business of other categories. The patents and trademarks essential to our Famous Bedding business, such as, “Enlanda” and “Enlanda 愛蒙” are registered in the PRC. Unauthorised use of our patents, trademarks and brand names may damage our brand, name recognition and reputation. Although we have registered our patents and trademarks, there is no assurance that infringement of our intellectual property will not take place. In certain jurisdictions that do not have developed intellectual property laws or a record of protecting intellectual property rights, we may face considerable difficulties and costly litigation in order to protect and enforce such rights. In the event that we are not able to protect our intellectual property rights, our brand reputation and sales volume may be harmed.

Further, there is no assurance that our products do not and will not infringe other registered patents, trademarks or intellectual property rights belonging to third parties. Under PRC patent law, the term of patent protection begins from the date that the patent application was filed and not the date that the patent was registered and issued. Due to the confidential nature of PRC patent applications and the numerous patent applications currently under review in the PRC, we may not be able to determine whether any of our products, processes and other related matters infringe the rights of our competitors. As such, we may be subject to legal proceedings and claims relating to such infringement. Any claims or litigation involving infringement of the intellectual property rights of third parties, whether with or without merit, could result in a diversion of our management time and resources and harm our financial results or operations. In addition, any successful claim against us arising out of such proceedings could result in substantial monetary liability, potential royalty obligations with respect to future sales of our products and may materially affect the continued sales of the affected products and our revenue and profitability. The details of our patents and trademarks are disclosed Appendix VI of this prospectus.

If we fail to maintain an effective system of internal controls, we may not be able to comply with the Hong Kong Listing Rules and other regulatory requirements.

We have established procedures, systems and controls (including accounting and management systems) which we believe are adequate to assist us and our Directors in our obligations to comply with the Hong Kong Listing Rules and other regulatory requirements. We believe these procedures, systems and controls are sufficient to enable our Directors to make a proper assessment of our operations, financial position and prospects. We have also adopted policies on internal controls for our main business cycles, including those relating to purchasing, sales, treasury and accounting. Our Audit Committee oversees our internal controls system and the implementations of the procedures and arrangements. Our internal controls may not prevent or detect misstatements with regard to our operations, financial position and prospects. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that internal controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. Any failure to maintain an effective system of internal controls could result in our financial statements being unreliable and could harm our operating results or cause us to fail to manage our business effectively or to meet our various regulatory obligations.

Our business operations may be harmed by present or future environmental regulations or enforcement.

Our revenues are dependent on the continued operations of our sofa production facilities, in Huizhou, Daya Bay and Shenzhen. We are subject to various PRC environmental regulations relating to the storage, use, discharge and disposal of toxic or otherwise hazardous materials, such as the chemicals we use for producing foam, relating to our production activities. These environmental laws and regulations are complex and constantly evolving and becoming more stringent. We are not always able to quantify the cost of complying with such laws and regulations. Any violation of the PRC environmental regulations could subject us to a substantial fine, damage our reputation, result in delays in production or result in a temporary or permanent closing of some or all of our production facilities. Additionally, if any one of our suppliers fails to comply with environmental regulations we may need to seek alternative supplies of certain materials, which may not be available on favourable terms. We cannot assure you that the national or local authorities will not enact additional laws or regulations or amend or enforce new regulations in a more rigorous manner. Changes in environmental regulations may require us or our suppliers to alter production processes, which could result in increased costs and could harm our financial condition and results of operations. In addition, environmental liability insurance is not mandatory in the PRC. Any significant environmental liability would harm our business, financial condition and results of operations. For further details on our environmental compliance, please refer to the section entitled "Business – Environmental Protection" in this prospectus.

Our non-compliance with certain housing fund contributions regulations in the PRC could lead to the imposition of fines or penalties.

We have not paid, or have not been able to pay, certain past housing fund contributions in strict compliance with the relevant PRC regulations for and on behalf of our employees due to differences in local regulations and inconsistent implementation or interpretation by local authorities in the PRC and different levels of acceptance of the housing fund system by our employees. The total outstanding amount of such past housing fund contributions is approximately HK$1,800,800 for the Track Record Period. Pursuant to the Regulation on the Administration of Housing Accumulation Funds (住房公積金管理條例) as amended in 2002, the relevant housing fund authority may order an enterprise to pay outstanding contributions within a prescribed time limit; and if the enterprise fails to do so at the expiration of the time limit, a penalty ranging from RMB10,000 to RMB50,000 may be imposed. Therefore, the maximum penalty that the Group may be subject to in respect of the outstanding housing fund contributions is approximately RMB450,000. As at the Latest Practicable Date, we had not received any notice from the relevant housing fund authorities ordering us to make payments in respect of such outstanding contributions.

We are in the process of making enquiries with the relevant PRC authorities regarding the procedures for the Company to make the outstanding housing fund contributions. In January 2010, we commenced payments of housing fund contributions in respect of all employees for whom we could, but did not, make payments for. However we cannot assure you that we will not be subject to penalties by relevant PRC authorities for our past non-compliance. Any penalties against us in respect of outstanding housing fund contributions could have an adverse effect on our reputation, cash flow and results of operations. For further details, please refer to the section entitled "Directors, Senior Management and Staff – Staff – Social Insurance and housing funds".

We may be subject to additional U.S. Federal and State income tax.

We sell our products to our U.S. customers through Man Wah Macau and conduct certain of our marketing efforts through Man Wah USA.

Our tax advisers have advised that, based on their analysis of the activities carried out by Man Wah Macau and Man Wah USA during the Track Record Period, it appears that it is more-likely-than-not that Man Wah Macau would not be considered to be engaging in a U.S. trade or business ("USTOB") through its own activities or through Man Wah USA. In reaching their conclusion, our tax advisers considered, among other things, whether Man Wah Macau's own activities in the U.S. would cause it to be considered engaging in a USTOB or if the activities of any agents of Man Wah Macau in the U.S. would be imputed to Man Wah Macau and cause it to be considered engaging in a USTOB, during the Track Record Period. Since the Track Record Period, we have increased sales of our products to the United States and started providing additional services to our U.S. customers and we cannot assure you that the activities undertaken by or on behalf of Man Wah Macau or its agents or representatives in the U.S. will not cause a substantial amount of our income derived from our sales in the U.S. to become subject to United States Federal or state income taxation. In addition, we cannot assure you that the United States Internal Revenue Service ("IRS") will not assert that the activities of Man Wah USA will cause Man Wah Macau to be engaged in a USTOB or that the amount of income derived by Man Wah USA from its support activities does not properly represent an arms-length fee for its services.

Having taken into account our activities in the U.S. we believe that if Man Wah Macau were successfully challenged by the IRS and determined to be engaging in a USTOB, our estimated tax exposure and related tax penalty, as advised by our tax advisers, would be approximately US$5.7 million during the Track Record Period, based on the prevailing U.S. income tax rate. However, our actual liability may be more or less than estimated. In any event, our Controlling Shareholders have agreed to indemnify us in respect of any taxation (including U.S. tax) exceeding the amounts provided for in our audited accounts for the Track Record Period. Please refer to the section entitled "Summary of material contracts" in Appendix VI of this prospectus for further details of this indemnity.

The outbreak of the H1N1 strain of influenza (swine influenza), severe acute respiratory syndrome (SARS) virus or other communicable diseases, such as avian influenza, in North America, Europe, Hong Kong or the PRC could harm our business, operations and financial performance.

Recently, there have been outbreaks of the H1N1 strain of influenza, commonly referred to as swine flu, in North America, Asia – including the PRC and Hong Kong – and Europe, amongst other countries. Any prolonged recurrence of SARS, swine influenza, avian influenza or other adverse public health developments may harm our business operations. Such an outbreak could result in restrictions on our ability to ship our products to various markets or a temporary closure of our manufacturing facilities. Additionally, the outbreak of SARS in China and Hong Kong in 2003 adversely affected sales in our retail stores in the PRC and Hong Kong, and to the extent that SARS, swine influenza, avian influenza or another outbreak hits North America, Europe, the PRC or Hong Kong our sales and results of operations could decline.

Failure to cater to changes in consumer taste and preferences and produce commercially viable designs will harm our business.

The home furniture industry is subject to constantly evolving designs and consumer preferences. Our success depends largely on our ability to continually develop new designs and products to meet the customers' changing tastes and preferences. In addition, we may need to acquire new processing technology or machinery to enhance our product quality to meet our customers' specifications. In the event we are unable to develop new and commercially viable designs and products to cater to changes in consumer taste or meet the specifications of our customers, the demand for our products and hence our business, financial results and growth may decline.

We depend on our executive Directors, our senior management members and our skilled and innovative employees, and our business may be adversely affected if we fail to retain or hire these personnel.

Our success and growth is dependent, to a large extent, on the continued active involvement of our executive Directors and our senior management team as identified in the section entitled "Directors, Senior Management and Staff" in this prospectus. In particular, our executive Directors and other key members of our senior management have made key contributions in the formulation of our overall business strategy and are responsible for our marketing efforts. Our executive Directors and other key members of our senior management will continue to play important roles in our continuing development and growth. We have entered into service agreements with our executive Directors and key members of our senior management, but their employment may be terminated at any time by either party giving to the other party three months' notice in writing. Additionally, we depend on our skilled and innovative employees to keep abreast of evolving industry standards, design developments and consumers' preference and ensure the quality and marketability of our products. The loss of one or more of our executive Directors, key members of our senior management or other skilled personnel without suitable replacements in a timely manner will adversely affect our business and future prospects. Moreover, the process of hiring to replace such persons can be both time-consuming and expensive, without any assurance that a suitable candidate can be found in a timely manner or at all. In order to ensure the smooth continuation and subsequent expansion of our business, we must not only be able to retain and motivate existing personnel, but also attract new personnel. If we fail to retain or hire sufficient personnel, we may not be able to maintain or expand our business and our financial performance would be harmed. Please refer to the section entitled "Directors, Senior Management and Staff" and the paragraph entitled "Further Information about Directors and Substantial Shareholders" in Appendix VI in this prospectus for details of the past working experience of our executive Directors and their service agreements with our Company, respectively.

We may have difficulty managing any future growth that we might experience.

In the event that we continue to experience growth, our operational and financial systems, procedures and controls will need to be expanded, which may result in substantial demands on our management, and involve increased expenses and resources. Our future success will depend substantially on our ability to manage any growth effectively. These challenges may include, amongst other things:

- maintaining our cost structure at an appropriate level based on the sales we generate;
- managing multiple, concurrent expansion projects;
- implementing and improving our operational and financial systems, procedures and controls in order to achieve a high level of efficiency;
- maintaining and expanding our relationships with our suppliers, retailers and other third parties;
- increasing marketing, sales and after sales support activities; and
- managing operations in multiple locations and multiple time zones.

Our current and planned operations, personnel, systems, internal procedures and controls may not be adequate to support our future growth. If we are unable to manage our growth effectively, we may not be able to take advantage of market opportunities, execute our business strategies or respond to competitive pressures in an appropriate or desirable manner.

Potential future acquisitions could be difficult to integrate, divert the attention of key management personnel, disrupt our business, dilute stockholder value and harm our financial results.

As part of our business strategy, we intend to continue to consider acquisitions of companies, technologies and businesses that we feel could enhance our capabilities, complement our current products or expand the breadth of our markets or customer base. We have limited experience in acquiring other businesses and technologies. Potential and completed acquisitions and strategic investments involve numerous risks and uncertainties, including:

- the availability, terms and costs of any financing required to make any acquisition or complete an expansion plan;
- the costs and difficulties in integrating operations, technologies, accounting and personnel;
- problems maintaining uniform standards, procedures, controls and policies;
- difficulties in supporting and transitioning customers of our acquired companies;
- potential ongoing financial obligations and unforeseen or hidden liabilities of our acquired companies;
- diversion of financial and management resources from our existing operations;
- risks associated with entering new markets in which we have no or limited prior experience;
- potential loss of key employees; and
- inability to achieve the intended objectives or benefits or to generate sufficient revenues to offset the acquisition or start-up costs and expenses.

Acquisitions also frequently result in the recording of goodwill and other intangible assets which are subject to potential impairments in the future that could harm our financial results. In addition, if we finance acquisitions by issuing convertible debt or equity securities, our existing Shareholders may be diluted, which could affect our Share price. As a result, if we fail to properly evaluate acquisitions or investments, we may not achieve the anticipated benefits of any such acquisitions, and we may incur costs in excess of what we anticipate.

Our executive Directors and Controlling Shareholders will retain significant control over our Company after the Global Offering, which will allow them to influence the outcome of matters submitted to Shareholders for approval.

Upon completion of the Global Offering, our Controlling Shareholders, Man Wah Investments, which is wholly owned by our executive Directors, Mr. Wong Man Li and Ms. Hui Wai Hing, will hold approximately 61.7% of our issued share capital. As a result, Mr. Wong Man Li and

Ms. Hui Wai Hing, through Man Wah Investments, will be able to exercise significant influence over all matters requiring Shareholder approval, including the election of Directors, approval of significant corporate transactions and amendment of our memorandum of association or Bye-laws, and will have veto power with respect to any Shareholder action requiring a majority vote. Such concentration of ownership may also have the effect of delaying, preventing or deterring a change in control which may conflict with the interests of our public Shareholders.

RISKS RELATING TO DOING BUSINESS IN THE PRC

Our growth in the PRC is substantially influenced by the growth of the PRC's middle-class.

In the PRC our products are marketed as high quality affordable luxury products targeting middle and high price point consumers, who principally come from the middle-class population. Therefore, our growth is substantially dependent on the growth of the middle-class population in the PRC. The middle-class population in the PRC has grown from approximately 47.7 million in 2005 to over 122 million people as of 2009, which has contributed to the growth of our "Cheers" specialty stores and corresponding revenue in the PRC. While the middle-class population in the PRC is expected to exceed 145 million by the end of 2010, we cannot assure you that such growth will occur. Further, while the middle-class population has recently grown immensely, such growth has been uneven across different regions of the PRC. If the middle-class population does not grow, grows at slower pace or grows in areas where we do not have "Cheers" or "Enlanda" specialty stores we may experience slower or no growth. If our business in the PRC fails to continue growing or grows at a slower pace than anticipated our results of operations may be adversely affected.

Our business activities could be influenced by economic and political considerations in the PRC.

All of our products are manufactured in the PRC and an increasing portion of our revenues are derived from sales in the PRC. Accordingly, our business, financial condition and results of operations are affected to a significant degree by economic, political and social conditions in the PRC. The PRC economy differs from the economies of most developed countries in many aspects, including the degree of government involvement, control of capital investment and the overall level of development.

The PRC economy has been transitioning from a planned economy to a more market-oriented economy as the PRC government has implemented measures which emphasise the use of market forces to facilitate economic reform. However, the PRC government continues to play a significant role in regulating industrial development by implementing various regulations and policies. It also exercises significant control over economic growth through providing preferential treatment to certain industries, allocation of resources and setting monetary policy, amongst other actions. Any adverse changes in government policies or political, economic and social conditions in the PRC may directly or indirectly affect our business or results of operations. While there has been significant growth in the PRC over the past decade, there is no assurance that such growth will continue.

Uncertainties with respect to the PRC legal system could have a material adverse effect on us.

Our business and operations in the PRC are governed by the legal system of the PRC which is a codified legal system comprising written laws, regulations, circulars, administrative directives and internal guidelines. Unlike common law jurisdictions, the PRC legal system is based on written statutes and prior court decisions may be cited for reference but have limited precedential value. Since the late 1970s, the PRC government has promulgated laws and regulations dealing with such economic matters as foreign investment, corporate organisation and governance, commerce, taxation and trade. However, as these laws and regulations continue to evolve, interpretation and enforcement of these laws and regulations involve significant uncertainties and certain degrees of inconsistencies. Some of the laws and regulations are still at a developing stage and are therefore subject to policy changes. Many laws, regulations, policies and legal requirements have only been recently adopted by PRC central or local government agencies, and their implementation, interpretation and enforcement may involve uncertainty due to the lack of established practice available for reference. We cannot predict the effect of future legal developments in China, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, or the pre-emption of local regulations by national law. As a result, there is substantial uncertainty as to the legal protection available to us and investors in our Shares. Furthermore, due to the limited volume of published cases and the non-binding nature of prior court decisions, the outcome of dispute resolution may not be as consistent or predictable as in other more developed jurisdictions, which may limit the legal protection available to us. In addition, any litigation in China may be protracted and result in substantial costs and the diversion of resources and management attention. From time to time, changes in law and regulations or the implementation thereof may also require us to obtain additional approvals and licences from the PRC authorities for the conduct of our operations in the PRC. In such event, we may need to incur additional expenses in order to comply with such requirements. This will in turn affect our financial performance as our business cost will increase. Furthermore, there can be no assurance that such approvals or licences will be granted to us promptly or at all. If we experience delay in obtaining or are unable to obtain such required approvals or licences, our operations and business in the PRC, and hence our overall financial performance and condition, will be adversely affected.

Foreign exchange control in the PRC may affect the repatriation of funds from our PRC subsidiaries.

The PRC government imposes controls on currency conversion between Renminbi and foreign currencies and, in certain cases, the remittance of currency out of and into China. We receive approximately 24.8% of our revenue in Renminbi for the six months ended 30 September 2009. Under our current corporate structure, our income will be primarily derived from dividend payments from our PRC subsidiaries. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries to remit sufficient foreign currency to pay dividends to us, or otherwise satisfy their foreign currency dominated obligations. We also plan to transfer a portion of the proceeds from the Global Offering as well as proceeds from our future fund raising activities into China to fund our business operations. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, can be made in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, in most cases, particularly payments of capital account items, approval from appropriate governmental authorities is required where (i) Renminbi is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of offshore bank loans denominated in foreign currencies, and (ii) any foreign currency is to be converted into Renminbi for investment in China. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. If the foreign exchange regulations prevent us from converting Renminbi into foreign currencies or vice versa, our ability to transfer Renminbi to fund our business operations in China or to pay dividends in foreign currencies to our Shareholders may be harmed.

We face foreign exchange and conversion risks, and fluctuation in the value of the Renminbi may have a material adverse effect on your investment.

The value of the Renminbi against the U.S. dollar and other currencies may fluctuate and is affected by, amongst other things, changes in the PRC's political and economic conditions. On 21 July 2005 the PRC government reformed its exchange rate regime by adopting a managed floating exchange rate regime based on market supply and demand. Under this regime, the Renminbi is no longer pegged to the U.S. dollar but is permitted to fluctuate within a narrow and managed band with reference to a portfolio of currencies. We cannot predict how and to what extent the exchange rate of the Renminbi will fluctuate against the U.S. dollar, Hong Kong dollar or any other foreign currency in the future. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. However, we cannot predict if or when these further reforms will occur.

We face foreign exchange and conversion risks primarily through sales and purchases of raw materials that are denominated in currencies other than the Renminbi. For example, during the Track Record Period, approximately 73.4%, 70.2%, 69.5% and 71.1% of our sales were settled in U.S. dollars, respectively. Any appreciation of the Renminbi against the U.S. dollar, the Euro or other currencies may have the effect of rendering our exports more expensive and less competitive than products from manufacturers in other countries. In addition, to the extent that we need to convert the Hong Kong dollars we receive from the Global Offering into Renminbi for our operations, appreciation of the Renminbi against the Hong Kong dollar could have a material adverse effect on our business, financial condition and results of operations. Finally, we are also subject to translation risks as our consolidated financial statements are denominated in Hong Kong dollars while the financial statements of our subsidiaries are measured and presented in the currency of the primary economic environment in which the entity operates. Further information on our foreign exchange risks and certain exchange rates is set out in the section entitled "Financial Information – Quantitative and Qualitative Disclosures about Market Risk" in this prospectus.

Inflation in China could negatively affect our profitability and growth.

While the PRC economy has experienced rapid growth, such growth has been uneven amongst various sectors of the economy and in different geographical areas of the country. Rapid economic growth can lead to growth in the money supply and rising inflation. If prices for our products rise at a slower rate than the costs of producing our products, our business may be materially and adversely affected. In order to control inflation in the past, the PRC government has imposed controls on bank credits, limits on loans for fixed assets and restrictions on state bank lending. Such action can lead to a slowing of economic growth and could materially and adversely affect our business and prospects.

Under the New Enterprise Tax Law, its implementation rules and various other tax rules, we may be subject to a higher income tax rate and gains on the sales of our Shares may become subject to PRC income taxes.

Under the New Enterprise Tax Law effective 1 January 2008, enterprises organised under the laws of jurisdictions outside the PRC with their de facto management bodies located within the PRC may be considered PRC resident enterprises and therefore subject to PRC enterprise income tax at the rate of 25% on their worldwide income. Under the *Implementation Rules for the New Enterprise Tax Law*, "de facto management bodies" is defined as the bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. As substantially all of our management is located in China, we may be considered a PRC resident enterprise and therefore subject to PRC enterprise income tax at the rate of 25% on our worldwide income, which will include the dividend income we receive from our subsidiaries.

During the Track Record Period, we realised tax savings of HK$16.7 million, HK$37.6 million, HK$32.6 million and HK$44.7 million, respectively, under this exemption. The current applicable tax rates for Man Wah Rong and Man Wah Furniture (SZ) is 10% as they are enterprises located in Shenzhen, which is a special economic zone. Under the New Enterprise Tax Law, domestically-owned enterprises and FIEs are typically subject to a uniform tax rate of 25%. However, companies that previously enjoyed preferential tax treatment were afforded a transition period by the implementation regulations. PRC subsidiaries that currently enjoy such preferential tax treatment are eligible for transition period rates of 18%, 20%, 22%, 24% and 25% in the calendar years of 2008, 2009, 2010, 2011 and 2012, respectively. Reduction or elimination of the preferential tax treatments we enjoy or imposition of additional taxes on our PRC subsidiaries may significantly increase our income tax expenses and materially reduce our net income, which could have a material adverse effect on our business, results of operations and financial condition. There can be no assurance that the New Enterprise Tax Law, its application or its interpretation will not continue to change in which case the effective income tax rate of our PRC subsidiaries may increase significantly.

Under the New Enterprise Tax Law and its implementation rules, our foreign corporate Shareholders may be subject to a 10% income tax upon any gains they realise from the transfer of their Shares, if such income is regarded as income from "sources within the PRC". However, what constitutes "sources within the PRC" is unclear since no rules or guidance concerning the New Enterprise Tax Law in this regard has been issued yet. If our foreign corporate Shareholders are required to pay PRC income tax on the transfers of the Shares that they hold, the value of our foreign Shareholders' investment in our Shares may be materially and adversely affected.

In addition, under the New Enterprise Tax Law and the Arrangement between the PRC and the Hong Kong Special Administrative Region on Avoidance of Double Taxation and Prevention of Fiscal Evasion (the "Double Taxation Arrangement"), which became effective on 1 January 2007, any dividends from any of our PRC subsidiaries paid to us through Man Wah Industrial and Famous Bedding, our Hong Kong subsidiaries, may be subject to a withholding tax at a rate of 5%. On 24 August 2009, the State Administration of Taxation released the Administrative Measures for Non-Residents Enjoying Tax Treaty Benefits (Trial Implementation) (the "Measures"), which took effect on 1 October 2009. Under the Measures, approval is needed from relevant branch of the State Administration of Taxation in order to enjoy the preferential withholding tax rate of 5% in accordance with the Double Taxation Arrangement. To date, the

Shenzhen Branch of the State Administration of Taxation has not published relevant implementing regulations for the Measures. As a result, there is no assurance that Man Wah Industrial and Famous Bedding will be able to enjoy the preferential withholding tax rate. The withholding tax on dividends may be exempted or reduced by the PRC State Council. Furthermore, the ultimate tax rate will be determined by treaty between the PRC and the tax residence of the holder of the PRC subsidiary. We are actively monitoring the proposed withholding tax and are evaluating appropriate organisational changes to minimise the corresponding tax impact.

Additionally, effective June 2009, we were granted an increase in our export tax rebate from 13% to 15%. We are unsure how long this increased tax rebate will last and any reduction in the export tax rebate may have an adverse affect on our results of operations and our business.

RISKS RELATING TO THE GLOBAL OFFERING

The liquidity and price of our Shares may be volatile and you may not be able to resell our Shares at a profit or at all.

Prior to this offering, our Shares were traded on the SGX-ST, however we cannot predict the extent to which a trading market will develop or how liquid that market might become once our Shares are listed on the Hong Kong Stock Exchange. The initial Offer Price will be determined by negotiations between us and the Sole Global Coordinator and may not be indicative of prices that will prevail in the trading market. The trading price of our Shares could fluctuate due to those factors discussed in this "Risk Factors" section, elsewhere in this prospectus or of which we are unaware or that we currently deem immaterial. The trading market for our Shares may also be influenced by the research and reports that industry or securities analysts publish about us or our industry. If one or more of the analysts who cover us in the future were to publish an unfavourable research report or to downgrade our Shares, our Share price likely would decline. If one or more of these analysts were to cease covering us or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our Share price or trading volume to decline.

In addition, the Hong Kong stock market in general has experienced extreme price and volume fluctuations. These trading prices and valuations may not be sustainable. These broad market and industry factors may decrease our Share price, regardless of our actual operating performance.

As the Offer Price is higher than the net tangible asset value per Share, purchasers of the Shares will experience immediate dilution and may experience further dilution if we issue additional Shares in the future.

The initial Offer Price of the Shares is higher than our net tangible asset value per Share immediately prior to the Global Offering. Therefore, purchasers of our Shares in the Global Offering will experience an immediate dilution in pro forma net tangible assets value of HK$3.47 per Share (assuming an Offer Price of HK$10.15 per Share, being the mid-point of the indicative offer price range in the Global Offering, and that the Over-allotment Option is not exercised).

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Shares may experience further dilution in the net tangible asset value per Share if we issue additional Shares in the future at a price which is lower than our net tangible asset value per Share.

Any potential sale by our existing Shareholders of a substantial number of our Shares in the public market could materially and adversely affect the prevailing market price of our Shares.

Future sales of a substantial number of our Shares by our existing Shareholders, or the possibility of such sales, could negatively impact the market price of our Shares and our ability to raise equity capital in the future at a time and price that we deem appropriate. Shares held by the Controlling Shareholders and our other existing Shareholders such as Mr. Yu Tung Wan, Mr. Zeng Wen Li, Mr. Li Chun Hui, Mr. Li Jianhong and Mr. Stephen Allen Barr are subject to certain lock-up undertakings for periods ending six to twelve months after the date on which trading in the Shares commences on the Hong Kong Stock Exchange, details of which are set out in the section entitled "Underwriting" in this prospectus. While we are not aware of the intention of the Controlling Shareholders and these other existing Shareholders to dispose of significant amounts of their Shares after the expiry of the lock-up periods, we cannot assure you that the Controlling Shareholders and these other existing Shareholders will not dispose of any Shares they may own now or in the future. In the event that any of these Shareholders disposes of Shares following the completion of the relevant lock-up periods, this would lead to an increase in the number of our Shares in public hands, and could negatively impact the market price of our Shares or lead to volatility in the market price or trading volume of our Shares, affecting the value of your investment.

We are a holding company that relies heavily on dividend payments from our subsidiaries for funding.

We are a holding company incorporated in Bermuda and operate our core business through our subsidiaries in the PRC and elsewhere. Therefore, our ability to satisfy our obligations and to pay dividends to our Shareholders depends upon dividends received from our subsidiaries. If our subsidiaries incur debt or losses, such indebtedness or loss may impair their ability to pay dividends or other distributions to us. As a result, we may not be able to satisfy our obligations or our ability to pay dividends may be restricted. PRC laws require that dividends be paid only out of the net profit calculated according to PRC accounting principles. PRC laws also require FIEs and domestic enterprises to set aside part of their net profit as statutory reserves. These statutory reserves are not available for distribution as cash dividends. In addition, restrictive covenants in our bank credit facilities or other agreements that we or our subsidiaries may enter into in the future may also restrict the ability of our subsidiaries to provide capital or declare dividends to us and our ability to receive distributions. Other factors such as cash flow conditions, restrictions on distributions contained in our subsidiaries' articles of association, restrictions contained in any debt instruments, withholding tax and other arrangements will also affect our subsidiaries' ability to make distributions to us. Therefore, these restrictions on the availability and usage of our major source of funding may affect our ability to meet our obligations or to pay dividends to our Shareholders.

Our historical dividends may not be indicative of our future dividend policy.

We declared approximately HK$22.6 million, HK$35.8 million, HK$43.0 million and HK$12.0 million in dividends for the Track Record Period, respectively. We also paid dividend of HK$268.4 million in November 2009. We cannot guarantee whether and when any dividends will be paid in the future and the amount of dividends that we may have declared historically is not indicative of our Company's future profit or the amount of dividends that we may pay in the future. For further information on our dividend policy after completion of the Global Offering, see the section entitled "Financial Information – Dividend Policy" in this prospectus. The declaration, payment and the amount of any future dividends will be determined at the discretion of our Board and will depend upon general business conditions and strategies, our financial results and capital requirements, our Shareholders' interests, contractual restrictions on the payment of dividends by us to our Shareholders or by our subsidiaries to us, taxation considerations, possible effects on our creditworthiness, statutory and regulatory restrictions and other factors that our Board may deem relevant.

Investors may face difficulties in protecting their interests because we are incorporated under Bermuda Companies Law, which law may provide less protection to minority Shareholders than the laws of Hong Kong and other jurisdictions.

We are incorporated in Bermuda as an exempted company and substantially all of our assets are located outside of Hong Kong. Our corporate affairs are governed by our memorandum of association and Bye-laws and by the Bermuda Companies Law and common law of Bermuda. The laws of Bermuda relating to the protection of the interests of minority Shareholders differ in certain respects from those in Hong Kong and other jurisdictions. Such differences may mean that our minority Shareholders, including investors in the Shares, may have less protection than they would otherwise have under the laws of Hong Kong or other jurisdictions. For example, Bermuda does not have a statutory equivalent of section 168A of the Companies Ordinance, which provides a remedy for Shareholders who have been unfairly prejudiced by the conduct of the company's affairs.

Certain facts, forecasts and other statistics with respect to the PRC, North America, Europe and global economies and the global and PRC household furniture industry in this prospectus are derived from various sources and may not be reliable.

Certain facts, forecasts and other statistics in this prospectus relating to the PRC, North America, Europe and global economies and household furniture industry have been derived from various Independent Third Party sources. However, we cannot guarantee the quality or reliability of such source materials. They have not been prepared or independently verified by us, the Sole Global Coordinator, the Underwriters or any of our or their respective affiliates or advisors and, therefore, we make no representation as to the accuracy of such facts and statistics, which may not be consistent with other information compiled within or outside such economies or markets. The Sole Sponsor and our Directors have reproduced the data and statistics extracted from the various publications in a reasonably cautious manner. Due to possibly flawed or ineffective collection methods or discrepancies between published information and market practice and other problems, the statistics herein may be inaccurate or may not be comparable to statistics produced for other economies and should not be relied upon. Furthermore, we cannot assure you that such information is stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. In all cases, investors should give consideration as to how much weight or importance they should attach to or place on such facts, forecasts or statistics.

Investors should not rely on any information contained in press articles or other media regarding our Company or the Global Offering.

Prior to the publication of this prospectus, there have been certain press and media articles (including the 2 March 2010 edition of the Hong Kong Economic Journal, the 3 March 2010 edition of Sing Tao Daily, the 11 March 2010 edition of the Hong Kong Economic Times and the 12 March 2010 editions of the Hong Kong Commercial Daily and Ta Kung Pao) regarding our Company and the Global Offering. We have not authorised the disclosure of any such information in the press or media and do not accept any responsibility for any such press or media coverage or the accuracy or completeness of any such information. We make no representation as to the appropriateness, accuracy, completeness or reliability of any such information or publication. Prospective investors should not rely on any such information and should only rely on information included in this prospectus in making any decision as to whether to subscribe for our Shares.

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies Ordinance, the Securities and Futures (Stock Market Listing) Rules of Hong Kong (Chapter 571V of the Laws of Hong Kong) and the Hong Kong Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement in this prospectus misleading.

INFORMATION ON THE GLOBAL OFFERING

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorised to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorised by the Company, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, or any of their respective directors, agents, employees, advisors or any other party involved in the Global Offering. Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with our Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

UNDERWRITING

This prospectus is published solely in connection with the Hong Kong Public Offer, which forms part of the Global Offering. For applicants under the Hong Kong Public Offer, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offer.

The listing of our Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters. The International Offering is managed by the Sole Global Coordinator. The International Underwriting Agreement is expected to be entered into on or about Wednesday, 24 March 2010 subject to the agreement on the Offer Price between us (for ourselves and on behalf of the Selling Shareholders), and the Sole Global Coordinator (on behalf of the Underwriters). If, for any reason, the Offer Price is not agreed upon amongst us (for ourselves and on behalf of the Selling Shareholders), and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. For further details of the Underwriters and the underwriting arrangements, please see the section entitled "Underwriting" in this prospectus.

RESTRICTIONS ON OFFERING AND SALE OF THE OFFER SHARES

No action has been taken in any jurisdiction other than Hong Kong to permit any public offering of the Offer Shares or the distribution of this prospectus. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such offer or invitation.

Each person acquiring the Offer Shares will be required, and is deemed by his acquisition of the Offer Shares, to confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus and that he is not acquiring, and has not been offered, any Offer Shares in circumstances that contravene any such restrictions.

The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and prohibitions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Offer Shares have not been offered or sold, directly or indirectly in the PRC or the U.S.

APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE

We have applied to the Listing Committee for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to (i) the Global Offering (including any additional Shares which may fall to be issued under the Over-allotment Option) and (ii) any Shares which may fall to be issued pursuant to the exercise of the Share Option Scheme. Save as disclosed in this prospectus, no part of our Shares or loan capital is listed on or dealt in on any other Hong Kong Stock Exchange and no such listing or permission to list is being or proposed to be sought in the near future.

HONG KONG SHARE REGISTER AND STAMP DUTY

All of our Shares issued and sold pursuant to applications made in the Hong Kong Public Offer will be registered on our register of members in Hong Kong. Our principal register of members will be maintained by our principal registrar, Appleby Management (Bermuda) Ltd. in Bermuda.

No stamp duty is payable by applicants in the Global Offering. The Company shall bear stamp duty in respect of all Sale Shares sold pursuant to the Global Offering.

Dealings in the Shares will be subject to stamp duty in Hong Kong.

Unless we determine otherwise, dividends payable in Hong Kong dollars in respect of Shares will be paid to the Shareholders listed on our Share register, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder.

OUR SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, our Shares on the Main Board of the Hong Kong Stock Exchange and our compliance with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or such other date as determined by HKSCC. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbrokers or other professional advisors for details of the settlement arrangements that may affect their rights and interests. All necessary arrangements have been made for our Shares to be admitted into CCASS.

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding, disposing of, dealing in, or exercising any rights in relation to, our Shares. None of our Company, the Selling Shareholders, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription for, purchase, holding, disposition of, dealing in, or exercising any rights in relation to, our Shares.

OVER-ALLOTMENT AND STABILISATION

Details of the arrangements relating to the Stabilisation and Over-allotment Option are set out in the section entitled "Structure of the Global Offering" in this prospectus.

PROCEDURE FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedure for applying for Hong Kong Offer Shares is set out in the section entitled "How to Apply for Hong Kong Offer Shares" and on the relevant Applications Forms.

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section entitled "Structure of the Global Offering" in this prospectus.

ROUNDING

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one decimal place. Any discrepancies in any table, chart or elsewhere between totals and sums of amounts listed therein are due to rounding.

CURRENCY TRANSLATIONS

Unless otherwise specified, amounts denominated in S$, US$ or RMB have been translated, for the purpose of illustration only, into Hong Kong dollars in this prospectus at the following rates:

S$1.00: HK$5.608
US$1.00: HK$7.8
HK$1.00: RMB0.88

No representation is made that any amounts in S$, US$, RMB or HK$ can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

MARKET SHARE DATA CONVENTION

The statistical and market share information contained in this prospectus have been derived from industry reports from Euromonitor and other publications. Unless otherwise indicated, the information has not been verified by us independently. This statistical information may not be consistent with our other statistical information from other sources within or outside the PRC. The Sole Sponsor and our Directors have reproduced the data and statistics extracted from such industry reports and publications in a reasonably cautious manner.

LANGUAGE TRANSLATION

In this prospectus, if there is any inconsistency between the Chinese names of the entities or enterprises established in China and their English translations, the Chinese names shall prevail. English translation of company names in Chinese or another language marked with "*" are for identification purpose only.

The English language version of this prospectus has been translated into the Chinese language and English and Chinese versions of this prospectus are being published separately. If there should be any inconsistency between the English and Chinese versions, the English version shall govern.

DIRECTORS

Name	Address	Nationality
Executive Directors		
Mr. WONG Man Li	House 9, 83 Ma Ling Path Shatin Knoll Shatin, New Territories Hong Kong	Chinese
Ms. HUI Wai Hing	House 9, 83 Ma Ling Path Shatin Knoll Shatin, New Territories Hong Kong	Chinese
Mr. LI Jianhong	Flat B, 17th Floor Haijing Huayuan Fujing Court Gaoerfu, Tianan Shenzhen PRC	Chinese
Mr. Stephen Allen BARR	1112 Elmwood Avenue High Point, NC 27265-9140 United States of America	American
Mr. YU Tung Wan	12162 Limeridge Court Alpharetta, Georgia 30004 United States of America	Chinese
Mr. Francis LEE Fook Wah	House 9, 83 Ma Ling Path Shatin Knoll Shatin, New Territories Hong Kong	Singaporean

Note: Mr. Francis Lee Fook Wah is also a Hong Kong resident and spends the majority of his time in Hong Kong. He stays at Mr. Wong's residence.

Name	Address	Nationality
Non-executive Director		
Mr. ONG Chor Wei	3A Greenview Gardens 125 Robinson Road Hong Kong	Malaysian
Independent non-executive Directors		
Mr. LEE Teck Leng, Robson	27 Eng Kong Garden Singapore 599243	Singaporean
Ms. CHAN Wah Man, Carman	Flat E, 19/F Tower 3 The Victoria Towers 188 Canton Road Tsim Sha Tsui Hong Kong	Chinese
Mr. CHAU Shing Yim, David	Flat 1, 15/F Hoi Kong Court 268 Gloucester Road Causeway Bay Hong Kong	British

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Sole Sponsor, Sole Bookrunner and Sole Lead Manager	**Macquarie Capital Securities Limited** Level 18, One International Finance Centre 1 Harbour View Street Central Hong Kong
Legal Advisors to the Company	*As to Hong Kong law* **Richards Butler** **in association with Reed Smith LLP** 20th Floor, Alexandra House 16-20 Chater Road Central Hong Kong *As to United States law* **Reed Smith LLP** 20th Floor, Alexandra House 16-20 Chater Road Central Hong Kong *As to PRC law* **Jingtian & Gongcheng** Suite 3505, K. Wah Centre 1010 Huai Hai Road (M) Shanghai, 200031 PRC *As to Bermuda law* **Appleby** 8th Floor, Bank of America Tower 12 Harcourt Road Central Hong Kong

Legal Advisors to the Underwriters	*As to Hong Kong and United States laws* **Morrison & Foerster** 33rd Floor, Edinburgh Tower The Landmark 15 Queen's Road Central Hong Kong *As to PRC law* **Commerce & Finance Law Offices** 6th Floor, NCI Tower A12 Jianguomenwai Avenue Beijing100022 PRC
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Receiving Banks	**Standard Chartered Bank (Hong Kong) Limited** 15th Floor, Standard Chartered Tower 388 Kwun Tong Road Kwun Tong Kowloon Hong Kong **Bank of China (Hong Kong) Limited** 1 Garden Road Hong Kong

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Headquarter and Principal Place of Business in Hong Kong:	1st Floor, Wah Lai Industrial Center 10-14 Kwei Tei Street, Fotan New Territories, Hong Kong
Company website:	**www.manwahholdings.com** *(the information contained in this website does not form part of this prospectus)*
Company Secretary:	Mr. Yau Sze Yeung, CPA
Bermuda Resident representative:	Appleby Services (Bermuda) Ltd. Canon's Court 22 Victoria Street Hamilton HM12 Bermuda
Authorised representatives:	Mr. Wong Man Li House 9, 83 Ma Ling Path Shatin Knoll Shatin, New Territories Hong Kong Mr. Francis Lee Fook Wah House 9, 83 Ma Ling Path Shatin Knoll Shatin, New Territories Hong Kong
Audit committee:	Mr. Chau Shing Yim, David *(Chairman)* Mr. Lee Teck Leng, Robson Ms. Chan Wah Man, Carman Mr. Ong Chor Wei
Nomination committee:	Mr. Wong Man Li *(Chairman)* Mr. Lee Teck Leng, Robson Ms. Chan Wah Man, Carman Mr. Chau Shing Yim, David

Remuneration committee:	Mr. Lee Teck Leng, Robson *(Chairman)* Mr. Wong Man Li Ms. Chan Wah Man, Carman Mr. Chau Shing Yim, David
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Hong Kong Share Registrar:	Computershare Hong Kong Investor Services Limited Shops 1712-1716 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Principal bankers:	Hongkong and Shanghai Banking Corporation Limited 1 Queen's Road Central Hong Kong Standard Chartered Bank 13/F., Standard Chartered Bank Building 4-4A Des Voeux Road Central Hong Kong Hang Seng Bank 83 Des Voeux Road Central Hong Kong
Compliance advisor:	CIMB Securities (HK) Limited 25/F, Central Tower 28 Queen's Road Central Hong Kong

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None of the Company, the Sole Sponsor, the Underwriters, or any other parties involved in the Share Offer or their respective directors, officers, employees, advisers, agents make any representation as to the accuracy or completeness of such information and, accordingly, such information should not be unduly relied upon.

THE MOTION RECLINER SOFA

Overview

A Recliner Sofa is an upholstered sofa that allows the user to adjust the back- and/or leg-rest to suit his/her preference at any given time. This involves the user activating a mechanism that triggers movement in the sofa from an upright to a reclined position. The key rationale behind its development was to increase the comfort consumers got from sitting on a sofa, and to enhance the living room experience.

Technological development over the past 25 years has dramatically changed the way living rooms are organised and how families live. With the development and increased adoption of the flat screen TV over the past decade, and the development of the home theatre system, the living room has become the centre of a family's co-existence at home. Manufacturers of Recliner Sofas have capitalised on this trend, and aim to facilitate the creation of an amiable atmosphere by offering a product that connotes the subtleties of relaxation, comfort, luxury, reward and success.

In order for manufacturers to provide consumers with the desired experience, a broad range of products have been developed. These constitute a combination of various specifications, highlighted below, that offer a different value proposition to suit differing customer preferences and requirements. The development of the Recliner Sofa has incorporated the following:

- **Range of motion:** At their most basic, Recliner Sofas enable consumers to switch from a standard seating position, to a reclined position of a pre-determined inclination. This is the most common form of Recliner Sofa.

  Over the past few years, manufacturers have, in an attempt to increase the degree of customisation offered, developed sofas that can be reclined to any inclination between a sitting position and a flat-bed position. This allows users to adjust their sofas to a multitude of positions to suit personal requirements instead of a single "one-size-fits-all" inclination.

- **Swivel and rocking Recliner Sofa:** As an extension to the range of motion highlighted above, manufacturers have added additional capabilities to the Recliner Sofas to enable them to swivel around in circles, and at the same time rock back and forth. These functions can be incorporated into Recliner Sofas as a combination or on an individual basis.

- **Single VS multi-seater sofas:** Recliner Sofa offerings can be customised to range from a single seat Recliner Sofa to a two- or three-seater Recliner Sofa. Reclining functions, however, are often limited to seats at each end.

- **Sectional seating:** In an attempt to customise sofas to, not only the individual, but also the living room, manufacturers have devised a way to combine individual single seater Recliner Sofas to create a multi-seater Recliner Sofa to suit any given living room layout. Dividers that can contain cup holders and storage compartments can be/are placed between individual seats to enhance the home-theatre experience and luxurious feel.

- **Electric VS mechanical trigger:** A range of trigger mechanisms to activate the recliner functions are used. These range from levers and latches that trigger a standard inclination, to electric push-buttons that activate a gradual inclination. This expands the points of inclination in a seamless and aesthetically favourable way.

Key growth drivers

The main drivers to current and future growth of the Recliner Sofa industry include:

- **Prevailing macroeconomic conditions:** Conditions in the overall economy, in terms of GDP growth and improving living standards measured through increases in per capita GDP, correlate with consumer sentiment, retail sales and housing activity.

- **Income growth and affordability:** Factors such as improvements in macroeconomic conditions, urbanisation, falling mortgage rates, increase in disposable income, and rising home ownership and retail sales growth all influence sales of Recliner Sofas.

- **The strength of the primary and secondary housing market:** Growth rates in retail furniture sales have historically followed those of new and existing home sales. In addition, home renovation is also a key factor in stimulating furniture spend.

- **Demographic trends and consumer taste:** Changes in population composition and distribution have a direct impact on the aforementioned factors. An example of this demographic change is the increasing number of small families resulting from children living away from their parents. Moreover Recliner Sofas have a luxurious feel that appeal to consumers.

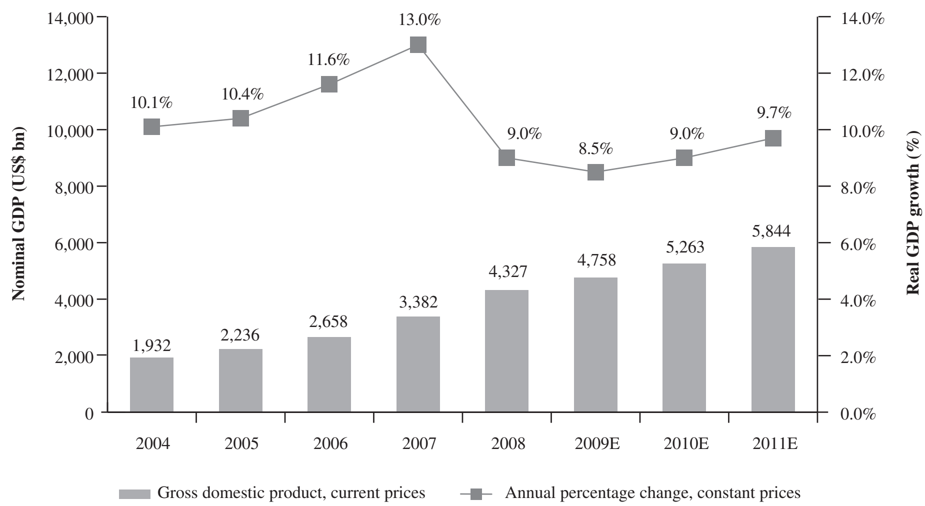
PRC

Growth of the PRC Economy and increasing affluence of the Chinese

According to the IMF, nominal GDP of the PRC increased from US$1.9 trillion in 2004 to US$4.3 trillion in 2008. It is further forecasted to increase to US$5.8 trillion in 2011. Real GDP is expected to grow at an average of 9.1% between 2009 and 2011.

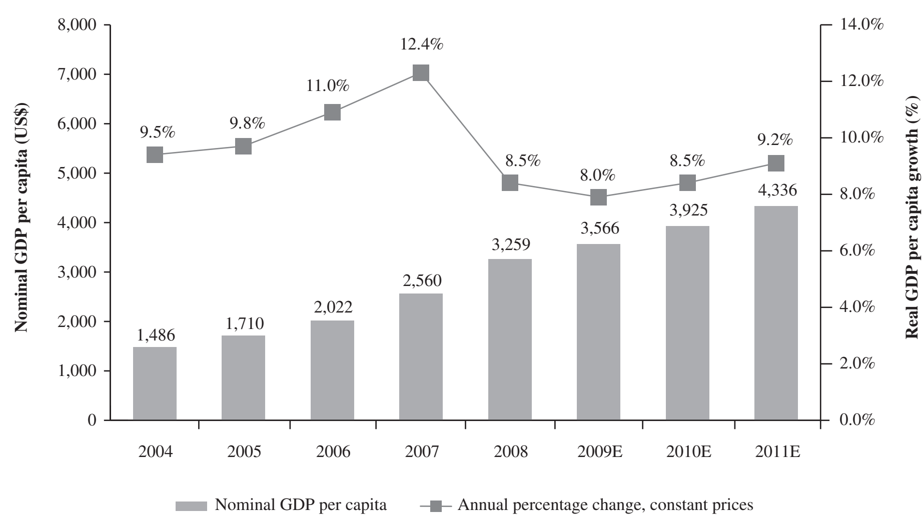
Nominal GDP per capita, which increased from US$1,486 in 2004 to US$3,259 in 2008, is expected to increase to US$4,336 in 2011.

Nominal GDP in the PRC, 2004-2011E



Source: International Monetary Fund – World Economic Outlook Database, Oct 2009

Nominal GDP per Capita in the PRC, 2004-2011E

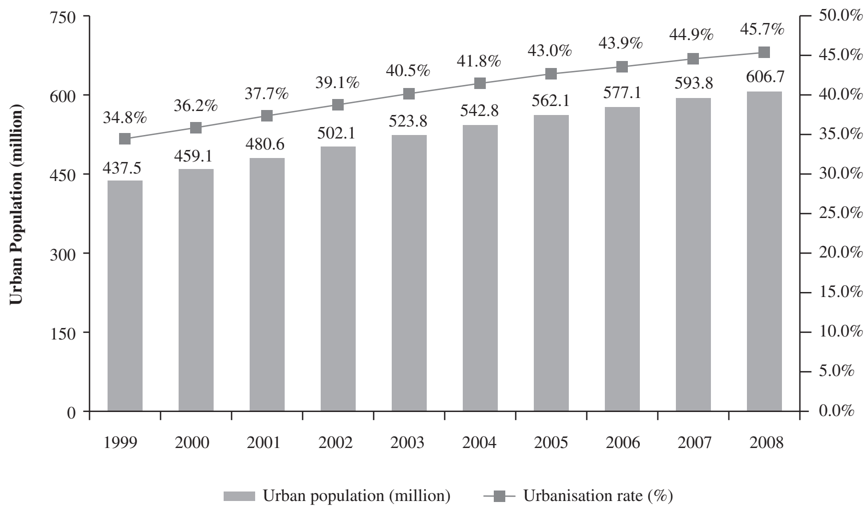


Source: International Monetary Fund – World Economic Outlook Database, Oct 2009

Accelerating urbanisation trend

Urbanisation has accelerated in the PRC as a result of the country's rapid economic growth. Populations in large urban cities have increased with the influx of people from rural and less developed areas. Between 1999 and 2008, the total urban population increased from 437.5 million to 606.7 million, an increase of 38.7%. This reflects an increase in urbanisation from 34.8% to 45.7% of the PRC's total population over the same period.

Urban Population and Urbanisation Rate in the PRC, 1999-2008

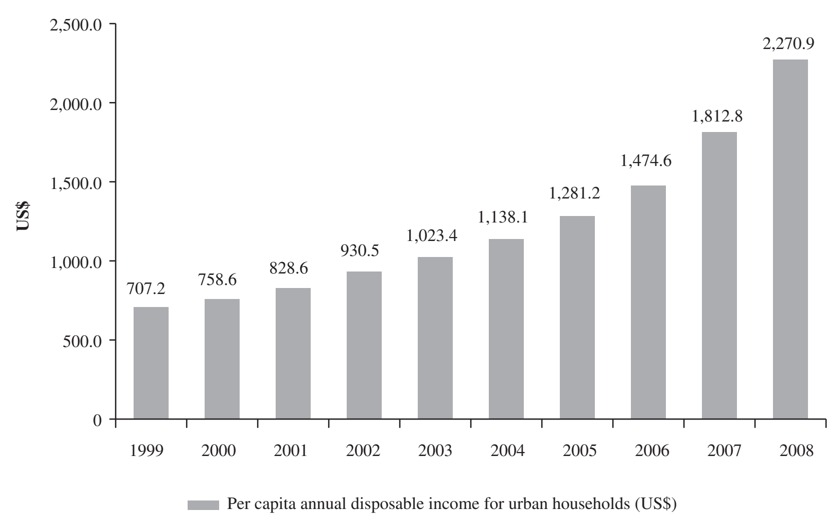


Source: China Statistical Yearbook 2009

Increasing disposable income in urban households

With the rapid growth of the PRC economy, income levels of urban households have increased and living standards have improved. According to the National Bureau of Statistics of China, the annual per capita disposable income for urban households increased from US$707.2 in 1999 to US$2,270.9 in 2008, representing a CAGR of 13.8% over that period.

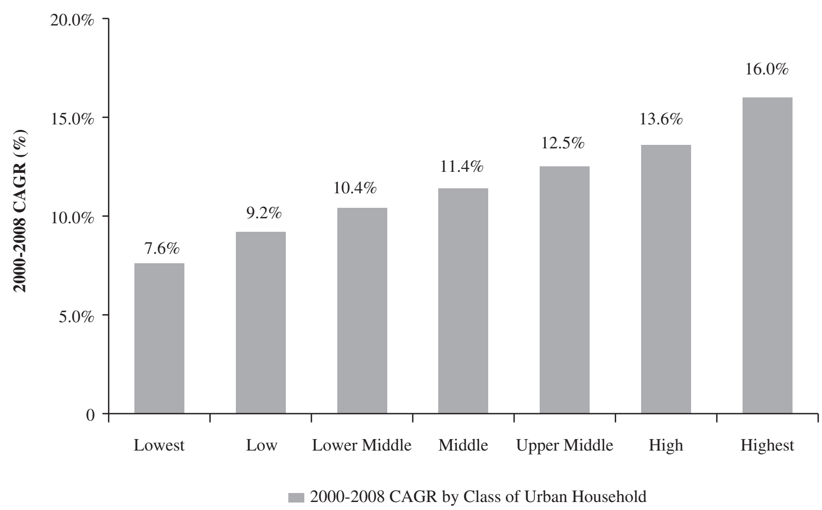
Annual Per Capita Disposable Income of Urban Households in the PRC, 1999-2008



Source: China Statistical Yearbook 2009

Moreover, among the income groups of urban households, the per capita disposable income of middle income groups and above has grown at a faster pace than other groups from 2000 to 2008. These represent key target segments for us and we expect this trend to contribute to an attractive operating environment for our business. The following chart illustrates the CAGR of the annual disposable income per capita of different class of urban households in the PRC from 2000 to 2008.

2000-2008 CAGR of Annual Disposable Income Per Capita by Class of Urban Household in the PRC

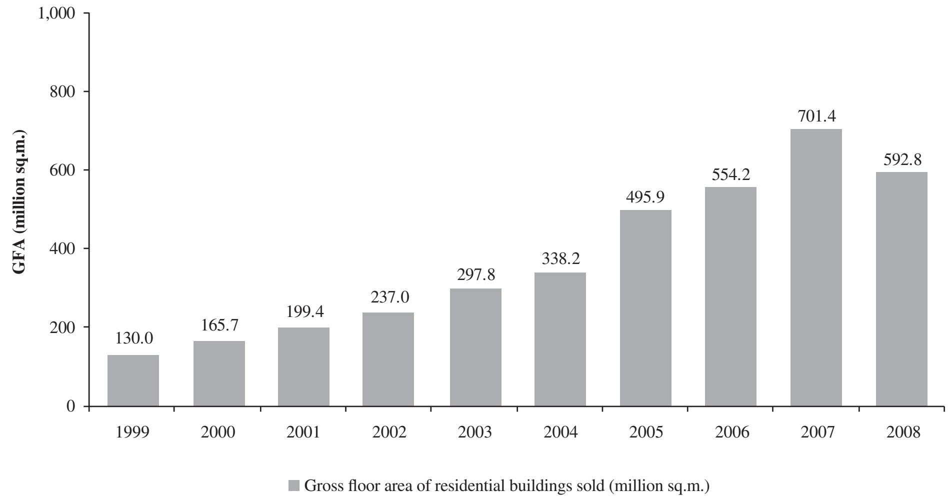


Source: China Statistical Yearbook 2001, 2009

The PRC Residential Property Market

A key driver of PRC furniture sales is activity in the property market. According to the National Bureau of Statistics of China, the annual total GFA of general residential property sold in the PRC increased from approximately 130 million sq.m. in 1999 to 592.8 million sq.m. in 2008, representing a CAGR of 18.4% over the period.

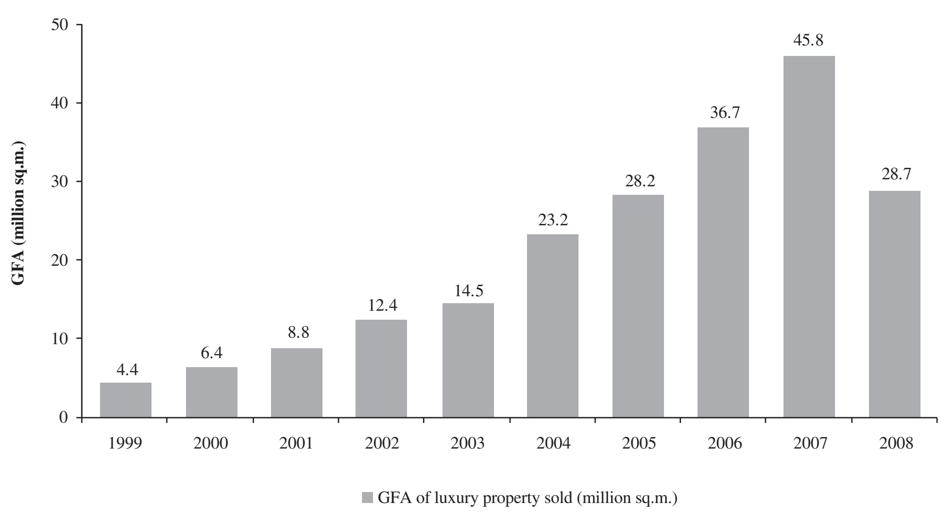
Total GFA of Property in Residential Buildings Sold in the PRC, 1999-2008



Source: China Statistical Yearbook 2009

As illustrated above, higher income households have enjoyed a greater increase in per capita disposable income. This has also translated to an increase in the total GFA of luxury residential property sold. Luxury residential property is comprised of villas and high grade apartments. This is in spite of the Global Financial Crisis, which contributed to a decline in real property transaction values for 2008. Sales of property in these segments have increased from 4.4 million sq.m. in 1999 to approximately 28.7 million sq.m. in 2008, representing a CAGR of 23.3% over the period.

Total GFA of Luxury Property Sold in the PRC, 1999-2008

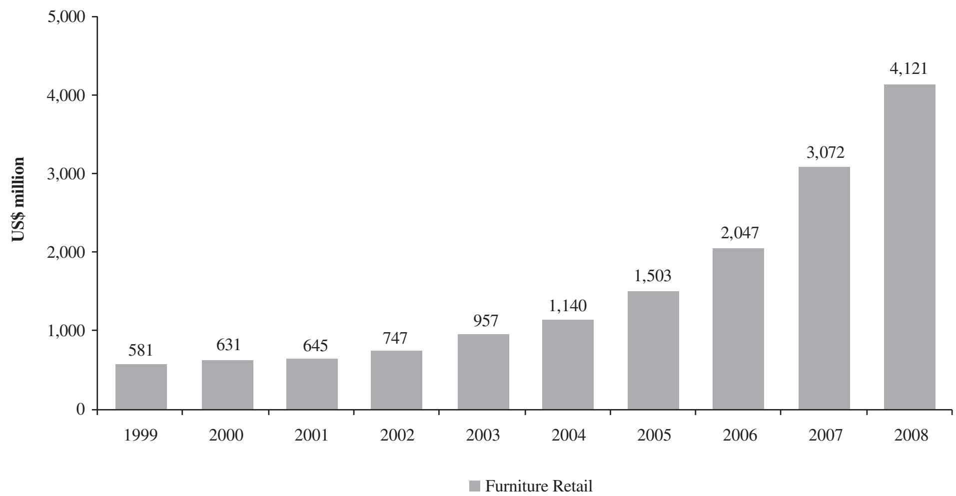


Source: China Statistical Yearbook 2009

Growth in Furniture Sales in the PRC

The PRC's increasing urbanisation and the higher per capita annual disposable income of all households, in conjunction with the increase in the GFA of residential property sold, have contributed to the rapid growth in demand for furniture in the PRC as people's ability and desire to decorate their living spaces increase. Total retail sales of furniture in the PRC increased from US$581 million in 1999 to US$4.1 billion in 2008, representing a CAGR of 24.3% over the period.

1999-2008 total retail sales of furniture in the PRC



Source: China Statistical Yearbook 2000-2009

U.S.

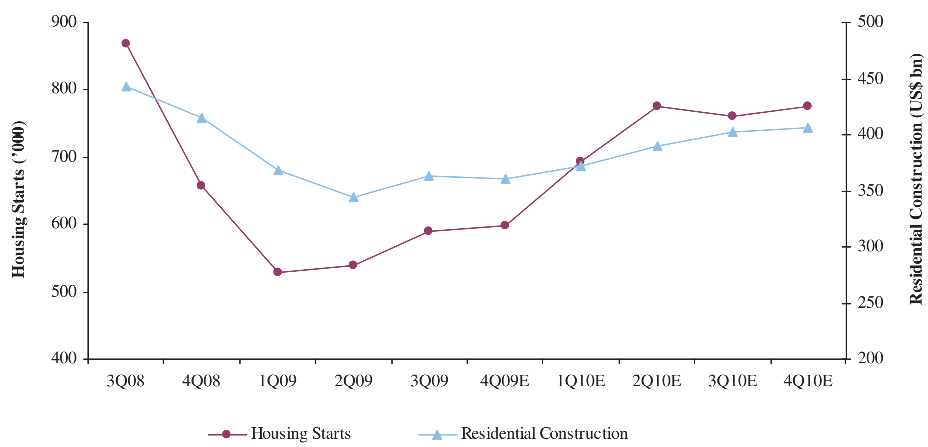
U.S. Housing Market

In conjunction with the Global Financial Crisis, stemming from the Sub-prime Mortgage Crisis, the U.S. residential property market has undergone a severe recession since the start of 2008. According to the National Association of Realtors, sales of existing homes fell from 7.08 million units in 2005 to an annualised 5.44 million units in December 2009, a decline of 23.0%. In addition, housing starts fell from 2.07 million units in 2005 to an annualised 0.56 million units in December 2009, a fall of 72.9%.

Towards the end of 2008 the U.S. government announced stimulus measures, which are aimed at helping to stabilise the housing market together with falling interest rates and mortgage rates. These measures as well as other factors have begun to shift the outlook with respect to the housing market in the U.S. According to the National Association of Realtors, housing starts and residential construction increased by 9.3% and 5.5% respectively between the second and third quarter of 2009. Sales of existing homes and sales of new homes also increased by 11.4% and 10.5% respectively over the same period. However, these increases are, in part, due to a low base effect resulting from the steep declines mentioned above and a prolonged growth trend on a month to month basis has not yet been achieved.

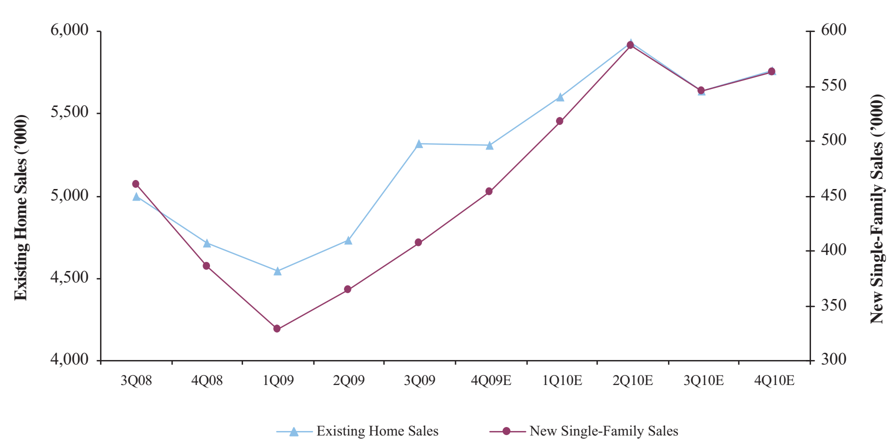
The outlook for 2010 also appears to be positive, according to the National Association of Realtors housing starts, construction, and home sales are all expected to grow over the current forecast period which ends in Q4 2010.

Residential Construction and Housing Starts in the U.S., 3Q 2008 – 4Q 2010E



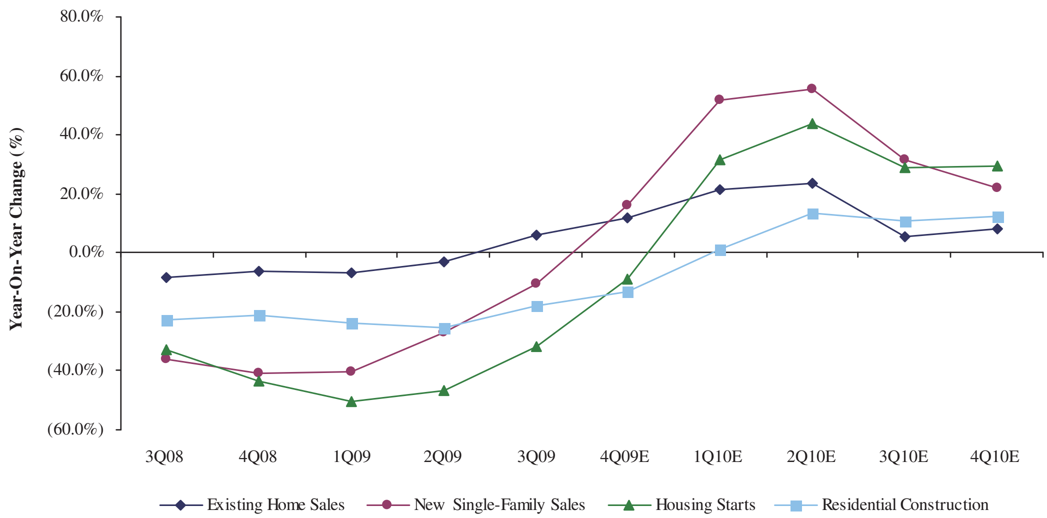
Source: National Association of Realtors

Sales of Existing Homes and New Single-Family Homes in the U.S., 3Q 2008 – 4Q 2010E



Source: National Association of Realtors

Key U.S. Housing Market Indicators – Year-On-Year Change, 3Q 2008 – 4Q 2010E



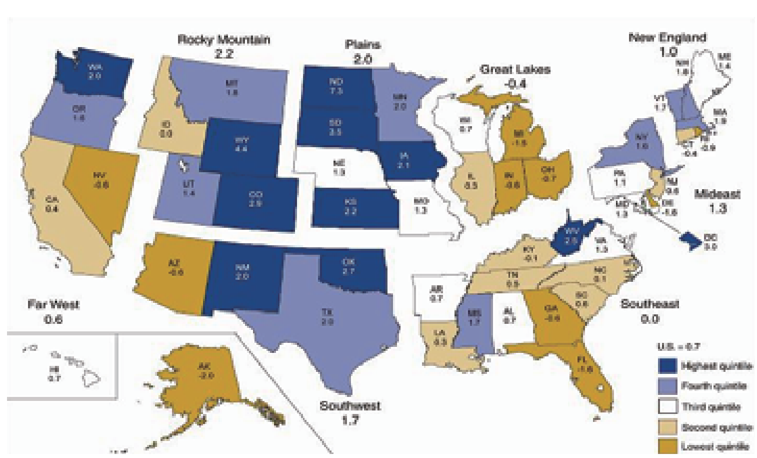
Source: National Association of Realtors

GDP Growth in the U.S. is Varied Among the States

The Global Financial Crisis has had an adverse affect on GDP growth in the U.S. In real terms, GDP registered a 0.4% increase in 2008 and started on a negative trend since the third quarter of 2008. In the first quarter of 2009 the economy contracted by over 6% in real terms, but finally returned to positive growth in the third quarter of 2009.

While the U.S. economy has been adversely affected by the Global Financial Crisis, it has been varied across states and regions. For example, states in the central part of the U.S. tended to grow faster than the rest of the U.S. due to increases in agriculture, forestry, fishing, hunting and mining. This suggests that businesses with sales in these central states may have not been as deeply affected by the Global Financial Crisis as those in other parts of the U.S.

Percent Change in Real GDP by State, 2007-2008

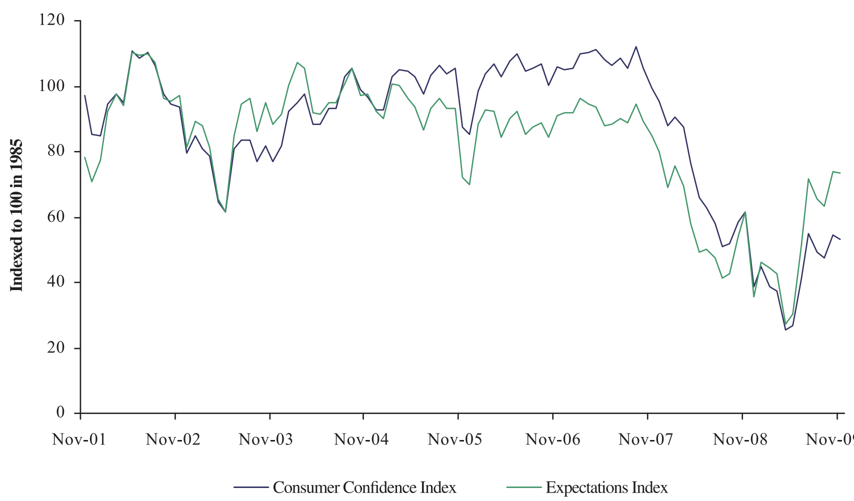


Source: U.S. Bureau of Economic Analysis; Euromonitor

U.S. Consumer Confidence

The shifting outlook with respect to the housing market has coincided with an improvement in consumer confidence. According to Bloomberg Finance L.P., a global financial information provider, which cited the Conference Board, the Consumer Confidence Index, based on a representative sample of 5,000 U.S. households that defined consumer confidence in 1985 at 100.0, improved from a low of 25.3 in February 2009 to 53.6 in December 2009. In addition, the Expectations Index, which measures consumer's expectations of conditions six months into the future, hit a low of 27.3 in February 2009 and has since recovered to 75.9 as of December 2009. While this does not indicate that consumers are confident (which is indicated by a confidence level of above 90), these shifts suggest that consumers expect an improved economic environment in the near term.

Consumer Confidence and Expectations Index, Nov 2001 – Nov 2009

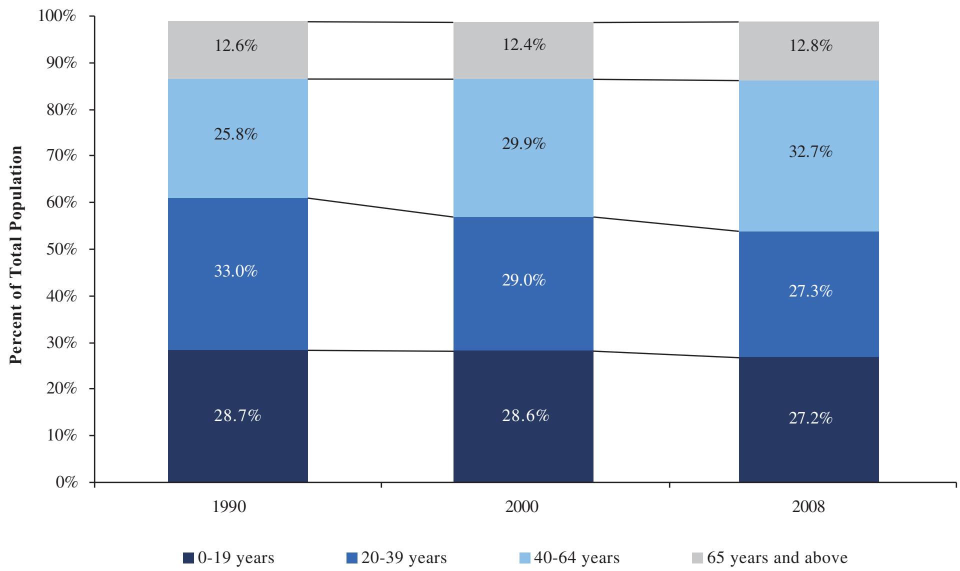


Source: Conference Board CONSUMER CONFIDENCE INDEX

Demographic Change

Residential furniture sales have also benefited from shifting demographics in the U.S. population. According to the U.S. Census Bureau, in 2008, 32.7% of the population was in their peak spending years of 40 to 64, an age group where disposable income is the greatest and where propensity to stay at home is the highest. This translates to 99.6 million people. By comparison, in 1990, 25.8% of the population or 64.0 million people were in this age group. This is a significant demographic change and is expected to contribute to increased spending on property and, in turn, furniture.

U.S. Population Breakdown 1990, 2000 and 2008



Source: U.S. Census Bureau

Changes in Consumer Behavior

From 2001 to 2007 higher income levels and disposable income has driven moderate growth in consumer expenditures. However, in the latter part of 2007, consumer expenditures decreased significantly due to declining disposable income resulting from the Global Financial Crisis. This decline continued into 2008 and 2009. As a result of declining disposable income many consumers are moving "downmarket" in their consumption habits. For example, many consumers have adopted more conservative spending habits and are trading down to more affordable home furniture. Accordingly, many furniture retailers have been forced to reduce prices to entice shoppers. This has created an opportunity for retailers who offer lower-priced foreign-produced furniture – including Recliner Sofas – to gain market share.

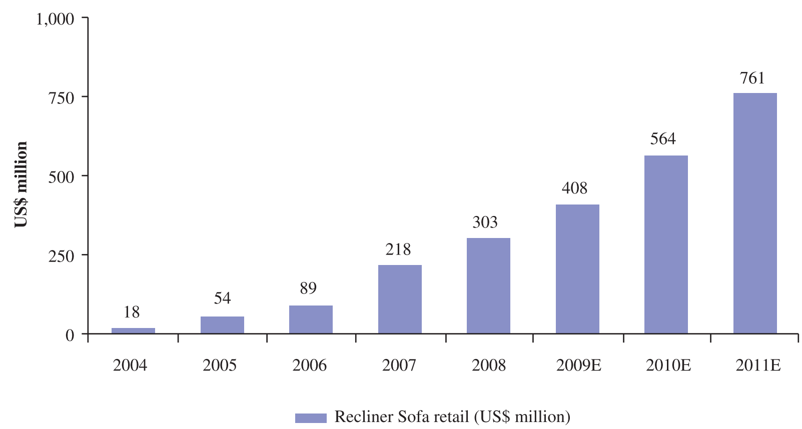
The PRC Motion Recliner Sofa Market

Overview

The Recliner Sofa market in the PRC has enjoyed robust growth in recent years. According to Euromonitor, retail sales of Recliner Sofas in the PRC grew from US$18.3 million in 2004 to US$303.0 million in 2008, a CAGR of 101.6%.

This strong growth is expected to continue, according to Euromonitor, with total retail sales of Recliner Sofas increasing by a CAGR of 36.6% from 2009 to 2011. Total retail sales of Recliner Sofas is expected to amount to US$761.3 million in 2011.

PRC's Recliner Sofa Market – Retail Sales, 2004-2011E

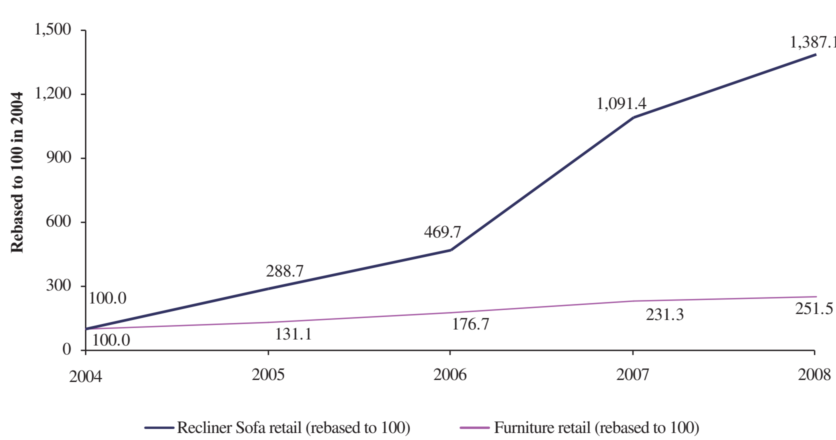


Source: Euromonitor International

Note: Yearly average exchange rate used for 2004-2008. Average exchange rate for 2008 used for forecast period

Relative to the overall furniture industry, Recliner Sofas have experienced much stronger growth over the past five years. This is due to a combination of changing consumer preferences and increasing disposal income, with a growing preference for quality, comfort, fashion and brands in final purchasing decisions.

Recliner Sofa Sales Growth VS Overall Furniture Market Sales Growth in the PRC; 2004-2008



Source: China Statistical Yearbook 2009, Euromonitor International

Competitive Landscape – The PRC Motion Recliner Sofa Market

The Recliner Sofa market in the PRC is characterised by a high level of fragmentation with the top five manufacturers accounting for 25.5% of the overall Recliner Sofa market. According to the Euromonitor 2009 Report, we are the leading Recliner Sofa manufacturer, with our flagship brand, Cheers, accounting for 16.2% of the PRC market, while the next four players combine to account for 9.3% of the market. The following table highlights the leading manufacturers of Recliner Sofas, and the leading brand names in the Recliner Sofa retail market, in the PRC.

Leading Recliner Sofa Manufacturers and Brands in the PRC (in terms of revenue)

	Brand	Company/Brand Owner	Market Share
1	Cheers	Man Wah	16.2%
2	Kuka	Kuka Technic Sofa Manufacture	4.0%
3	Farrell	Fuli Farrell Furniture Manufacture Ltd.	2.1%
4	Tiantan	Beijing Tiantan Co., Ltd.	1.7%
5	ARIS	Beijing Aris Furniture Company	1.5%

Source: Euromonitor International

As a result of the high growth of the domestic economy as a whole, and of the furniture industry in particular, industry players focus their sales efforts on capturing untapped markets instead of competing head-on with rivals, thereby avoiding direct price competition.

In order to satisfy the increasing demand from the domestic market, many domestic manufacturers and foreign brand owners have increased their commitment to the robust PRC market at the expense of export sales and home markets, respectively. An appreciation in Renminbi has also contributed to an increasingly attractive domestic market.

In response to the increasing competition, two factors are expected to play a key role in determining success going forward. First, design and development is expected to become a stronger determinant, with particular focus on style, comfort and functionality.

Marketing and well-established sales networks represent another key success factor. Leading Recliner Sofa brand owners are devoted to fast expansion of point-of-sales or the openings of specialty stores. These are expected to effectively enhance brand awareness and economise on distribution costs. Advertising and other marketing activities are also crucial in developing the brand to consumers. The ability to establish a brand during the early stages of market development is expected to be a key contributor to future success.

In addition, domestic manufacturers enjoy a certain degree of price advantage and a wider geographic coverage than foreign suppliers, who are mostly limited to domestic Tier 1 and 2 cities.

From a cost perspective, the bulky nature of furniture in general means that transportation and shipping costs form an integral cost component for manufacturers and retailers, impacting margins as a result. Proximity to end markets, in terms of location of production, and geographic coverage of a supplier's network, is thus a key determinant to a supplier's competitiveness in the domestic PRC market.

U.S. Motion Recliner Sofa Market

Overview

Relative to the PRC market, the U.S. Recliner Sofa market represents a much larger and mature market. The total value of retail sales of Recliner Sofas in the U.S. amounted to US$7.5 billion in 2007. This represents a CAGR of 3.5% from 2004, when total retail sales amounted to US$6.8 billion. According to the Euromonitor 2009 Report, one of the main factors contributing to this growth was the relatively low household penetration rate for Recliner Sofas – fewer than 6% of households owned a Recliner Sofa in 2007.

Like the furniture industry as a whole, however, sales of Recliner Sofas have been hard hit by the economic recession and housing crisis in the U.S. As previously highlighted, new home construction and sales of existing homes fell sharply in 2008 amid increasing uncertainty and falling consumer confidence. This contributed to a fall in retail sales of Recliner Sofas in 2008 to US$7.0 billion.

Recliner Sofas have however outperformed the furniture industry as a whole. According to the Euromonitor 2009 Report, the uncertain economic climate contributed to a growing trend in home entertainment, as it represents a more affordable way to socialise. This is part of the "nesting" trend whereby families are more willing to make comfort upgrades in their homes due to the increase in time they spend at home. This has helped sustain demand for Recliner Sofas as they offer greater value to consumers in terms of comfort.

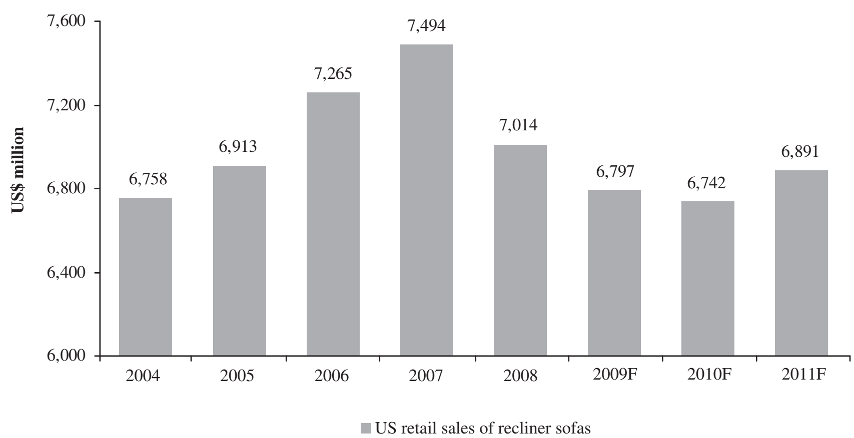
Recliner Sofa Sales Growth VS Overall Furniture Market Sales Growth in the U.S., 2004-2008

Source: U.S. Census Bureau; Euromonitor International

As illustrated below, retail sales of Recliner Sofas in the U.S. have declined from a peak of US$7,494 million in 2007 to a projected trough of US$6,797 million in 2009, representing a decrease of approximately 9.3%. However, over the same period the number of Recliner Sofas sold decreased from a high of 6.7 million to a projected 6.3 million in 2009, a decrease of approximately 5.6%. This suggests that consumers continued to purchase Recliner Sofas during the Global Financial Crisis but purchased lower priced sets such as those we produce.

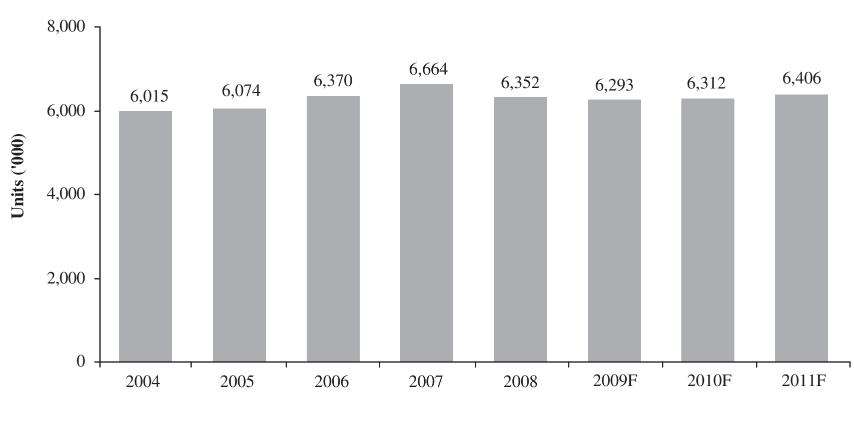
Going forward, sales are expected to remain sluggish as the economy stabilises, but are expected to rebound in 2011 in conjunction with the recovery of the U.S. economy and resulting return to pre-crisis consumption habits. Value of retail sales of Recliner Sofas is expected to increase by 2.2% in 2011, signalling the start of a new growth cycle for the Recliner Sofa industry over the next few years.

Retail Sales of Recliner Sofas in the U.S. (US$), 2004-2011E



Source: Euromonitor International

Retail Sales of Recliner Sofas in the U.S. (Units), 2004-2011E



Source: Euromonitor International

Competitive Landscape – U.S. Motion Recliner Sofa Market

The Recliner Sofa market in the U.S. is dominated by several large companies established in the furniture retail space. The top five manufacturers account for 57.2% of the overall Recliner Sofa market. According to the Euromonitor 2009 Report, La-Z-Boy Inc. is the leading Recliner Sofa manufacturer, with its self-branded products accounting for 21.3% of the U.S. market. Man Wah is the eighth largest player in the U.S. market with a 2.6% market share. The following table highlights the leading manufacturers of Recliner Sofas, and the leading brand names in the Recliner Sofa retail market in the U.S.

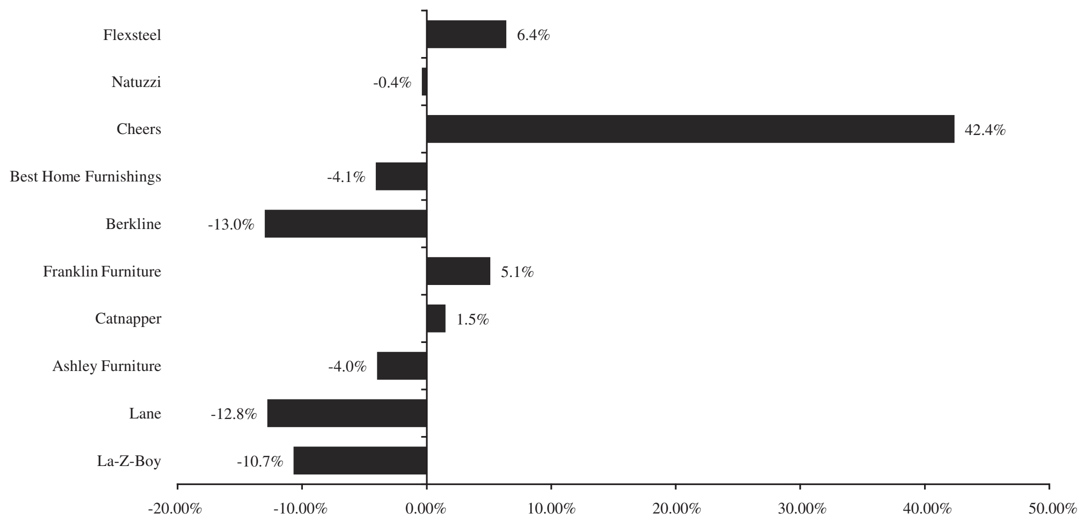
Leading Recliner Sofa Manufacturers in the U.S., 2008 (in terms of revenue)

	Brand	Company/Brand Owner	Market Share
1	La-Z-Boy	La-Z-Boy Inc	21.3%
2	Lane	Furniture Brands International, Inc	14.8%
3	Ashley Furniture	Ashley Furniture Industries	8.1%
4	Catnapper	Jackson Furniture Industries	7.1%
5	Franklin Furniture	Franklin Furniture	5.9%
6	Berkline	Berkline	5.2%
7	Best Home Furnishings	Best Home Furnishings	4.1%
8	Cheers	Man Wah	2.6%
9	Natuzzi	Natuzzi SpA	1.7%
10	Flexsteel	Flexsteel Industries, Inc	1.4%

Source: Euromonitor International

Man Wah has been the fastest growing of the top 10 Recliner Sofa manufacturers in the U.S. According to the Euromonitor 2009 Report, the value of six out of the top 10 brands fell in 2007/08, with the value of the top two leaders decreasing by an aggregate of 23.5%, while Man Wah grew by 42.4% during the period. This shows that under a backdrop of limited decline within the section (9.3% by revenue and 5.6% by volume), market leaders have lost significantly more market share compared to smaller players such as us.

Value Growth of Top 10 Recliner Sofa Brands in the U.S. for 2007/08



Source: Euromonitor International

Due to the slower growth rate of the U.S. market, industry participants cannot rely on securing pockets of untapped opportunities as they arise. This leads to increased head-to-head competition among industry players for market share. An ability to better-understand consumer preferences and offer a superior value proposition relative to competitors is essential in growing market share and sales. Functionality, design and comfort are also important.

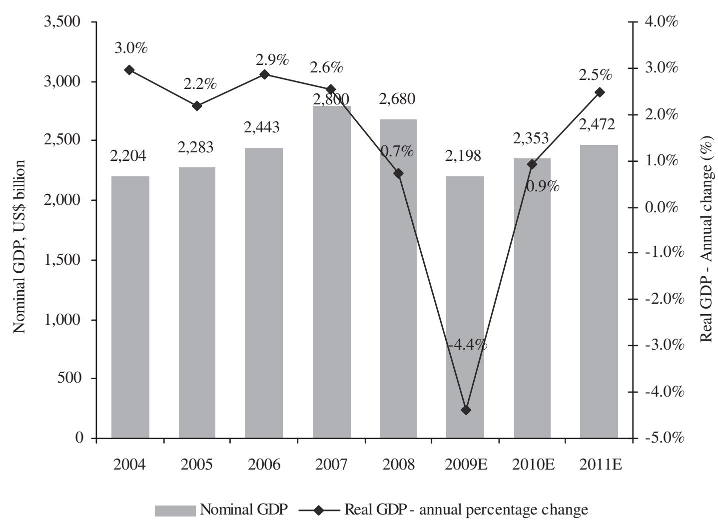
A key dynamic affecting industry competition is the influx of imports. This has led to furniture companies significantly altering their production and sourcing strategies in order to compete with these lower priced imports.

United Kingdom

Stabilising Macro Environment

Like the United States, the economy of the United Kingdom contracted as a result of the Global Financial Crisis. Between 2007 and the end of 2009, nominal GDP has fallen from US$2.8 trillion in 2007 to US$2.2 trillion in 2009, a decline of 21.5% over the period. In addition, according to the IMF, real GDP is expected to have contracted by 4.4% in 2009.

Nominal GDP in the U.K., 2004-2011E

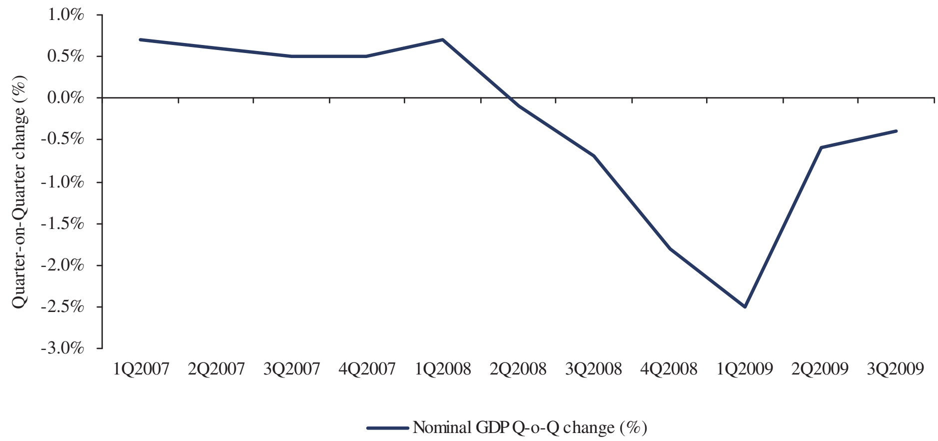


Source: International Monetary Fund

The U.K. economy has, however, begun to stabilise. As the chart below demonstrates, on a quarter-on-quarter basis, nominal GDP fell by 0.4% between the second and third quarters of 2009. This compares to declines of 1.8%, 2.5% and 0.6% for the fourth quarter of 2008, and the first two quarters of 2009, respectively.

In addition, forecast data from the IMF demonstrates the expectation of a full year real GDP growth of 0.9% in 2010, before resuming to a longer-term growth rate of 2.5% to 3% thereafter.

Quarter-on-Quarter Nominal GDP of the United Kingdom 1Q2007 – 3Q2009



Source: U.K. Office for National Statistics

Improving Consumer Sentiment

Consumer sentiment and expectations have also been improving. According to the chart below (based on data from Nationwide Building Society, compiled by TNS Global Market Research), consumer confidence recovered from a low of 45 in January 2009 to 69 as of December 2009. In addition, the Expectations Index, which tracks consumers' expectations of the economic and employment situation six months into the future, has recovered from a low of 58 in August 2009 to 106 as of December 2009. This data, consistent with consumer confidence and expectations of the United States, indicates that consumers believe that the worst of the recession is over and that expectations are for a better economic climate in the future.

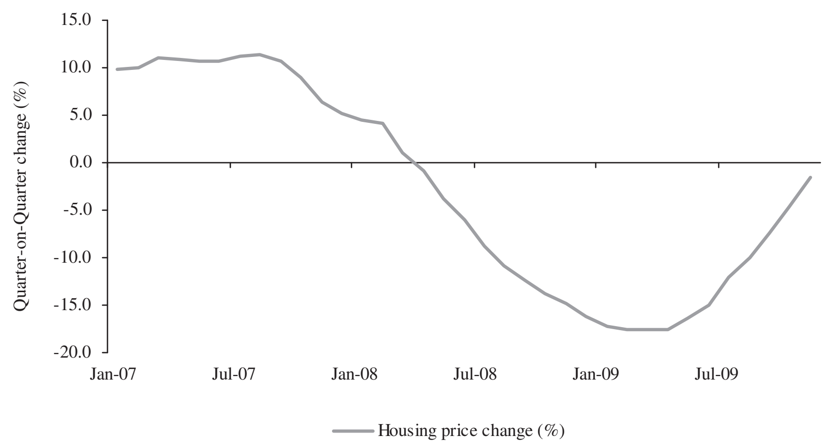
Consumer Confidence and Expectations Index (2004 – 2009)

Source: Nationwide Consumer Confidence Index, conducted by TNS Global Market Research

Stabilisation of the U.K. housing market

In conjunction with the recovery of the overall economy, the housing market in the U.K. has also improved significantly. Housing prices increased for the sixth consecutive month in December 2009 as, according to the Halifax Housing Price Index, reduction in interest rates following the worldwide financial upheaval in the autumn of 2008 significantly reduced the burden of servicing a mortgage for many households and helped stimulate housing demand.

Halifax Housing Price Index – Quarter-on-Quarter Housing Price Change (Jan 2007 – Dec 2009)



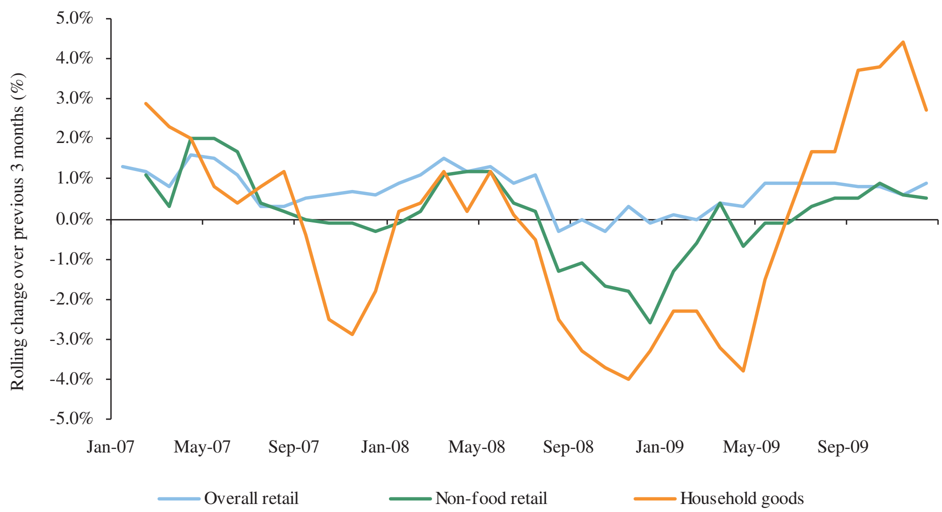
Source: Halifax Housing Price Index, Lloyds Banking Group

Recovery in retail sales

While overall retail sales in the U.K. have, in general, remained resilient over the past two years, non-food retail sales suffered steep declines between May 2008 and January 2009. This decline corresponds to the decline in consumer confidence as demonstrated earlier. Non-food retail sales for the three-month period ended December 2008 declined 2.6% over the preceding three-month period as economic uncertainty affected consumer spend.

Non-food retail sales have, however, since recovered, and have successively grown for the six months between July and December 2009. Sales of household goods, which was among the worst affected categories and suffered negative growth between July 2008 and May 2009, has also demonstrated a strong recovery.

U.K. Retail Sales – Percentage change of latest 3-months over previous 3-months (Jan 2007 – Dec 2009)



Source: U.K. Office for National Statistics

Recliner Sofa Industry in the U.K.

According to CSIL, Centre for Industrial Studies (Milan) ("CSIL"), occasional chairs, which they define as reclining and relaxation chairs, account for approximately 11.7% of production of the European upholstered furniture market, or EUR1.3 billion in 2008. This production has been increasing over the last few years, primarily due to the ongoing trend towards reclining and relaxing chairs. As a result, an increasing number of European companies have started to integrate reclining features, such as movable head and foot sets, in their sofa and chair production.

In the U.K., occasional chairs accounted for 8.7% of furniture production in 2008. Total production of occasional chairs in the U.K. amounted to EUR178 million in 2008.

In the U.K., as reflected by the fall in GDP, and the falling demand for houses as the Global Financial Crisis affected consumer confidence and overall retail sales, total consumption of furniture in the U.K. declined significantly, falling 18.1% in 2008.

Consumption of upholstered Furniture – Annual Percentage Change (2002 – 2009)

Source: CSIL

Competitive landscape

There are several key trends that are shaping the U.K. upholstered furniture market, and in turn, the motion Recliner Sofa market.

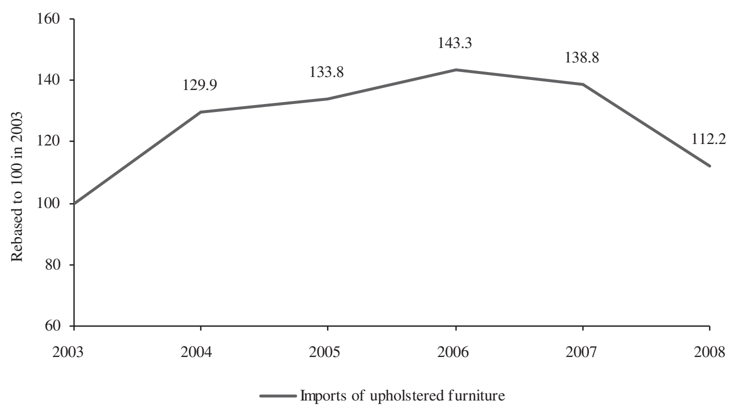
As in many European countries, distribution of furniture in the U.K. is becoming increasingly homogeneous, and driven by large scale outlets that are controlling larger proportions of the market. According to CSIL, furniture retail in the U.K. is also being increasingly driven by non-specialised retailers, such as department stores and hypermarkets, which are growing their influence in the lower end of the market. The large scale of operation enables these retailers to compete more effectively on price and offers consumers a wider range of products relative to small scale retailers.

In response to the growing pressure on margins, smaller retailers are joining "buying groups" in a bid to overcome their lack of scale. In addition, mergers and acquisitions involving, not only independent distributors, but furniture chains, have become more frequent.

To supplement the growing competition as mentioned above, there has been an increasing trend of imports over the five year period between 2003 and 2008. According to CSIL, the increase in low cost imports, a majority of which originated from China, has made it difficult for European manufacturers to remain competitive, not only in their local market but also their export markets. Imports slowed somewhat towards the end of 2007 and 2008 due to the onset of the Global Financial Crisis, which greatly affected sales.

According to CSIL, the U.K. ranked among the top three importing countries in Europe, along with Germany and France, while for 2008, the U.K. registered the largest trade deficit for upholstered furniture among all European countries, amounting to EUR826.4 million. China represented the U.K.'s leading supplier of upholstered furniture in 2008, accounting for 52% of imports in 2008. By comparison, China supplied only 14.8% of all imports in 2003.

Imports of Upholstered Furniture to the U.K. (2003 – 2008)



Source: CSIL

Sources of Information

Euromonitor International

Euromonitor International is a global research organisation with over 500 full time staff and field based analysts in over 80 countries worldwide researching and tracking fast moving consumer goods ("FMCG"), industrial service and B2B markets. Euromonitor International is independent and privately owned.

The Company commissioned Euromonitor International as an Independent Third Party to conduct a market analysis of and produce a report on the motion Recliner Sofa market in the U.S. and the PRC (the "Euromonitor 2009 Report") covering various periods ranging from 2004 to the end of 2008, and estimates from 2009 to 2011. The contractual amount for the Euromonitor 2009 Report provided by Euromonitor is US$36,000. The payment of such amount was not contingent upon our successful Listing or on any of the results provided within the Euromonitor 2009 Report. Except for the Euromonitor 2009 Report, the Company did not commission any other customised reports.

National Bureau of Statistics of China

The National Bureau of Statistics of China ("NBS") is an agency directly under the State Counsel in charge of statistics and economic accounting in the PRC. The information disclosed in this prospectus from the NBS is publicly available information.

National Association of Realtors

The National Association of Realtors ("NAR") is North America's largest trade association representing over 1.2 million realtors (as reported November 2008), including NAR's institutes, societies, and councils, involved in all aspects of the residential and commercial real estate industries. NAR also functions as a self-regulatory organisation for real estate brokerage. The information disclosed in this prospectus from the NAR is publicly available information.

United States Census Bureau

The United States Census Bureau (officially Bureau of the Census) is the government agency that is responsible for the U.S. Census. It also gathers other national demographic and economic data. As part of the United States Department of Commerce, the Census Bureau serves as a leading source of data about America's people and economy. The information disclosed in this prospectus from the U.S. Census Bureau is publicly available information.

The Conference Board

The Conference Board, Inc. is a non-profit global business organisation supported by business executives that holds conferences, convenes executives and conducts business management research. It connects more than 1,600 corporations in nearly 60 nations, its worldwide conferences attracting more than 12,000 senior executives each year.

The organisation produces Leading Economic Indicators for the U.S., the United Kingdom, France, Germany, Spain, Japan, Korea, Mexico and Australia. It also produces the Consumer Confidence Index, the Consumer Internet Barometer, the CEO Confidence index, the Help Wanted Advertising Index, and other major indicators that have an impact on both business and the financial markets.

The information disclosed in this prospectus from The Conference Board was extracted from Bloomberg Finance L.P.

The International Monetary Fund

The IMF is an international organisation that oversees the global financial system by following the macroeconomic policies of its member countries, in particular those with an impact on exchange rates and the balance of payments. The information disclosed in this prospectus from the IMF is publicly available information.

We have manufacturing facilities in the PRC and sell our products to markets such as the PRC, the U.S. and Europe. During the Track Record Period, our key markets included the PRC, the U.S., and the U.K., which accounted for, in aggregate, 43.6%, 60.7%, 70.4% and 78.6% of our revenues, respectively. Consequently, we are subject to various laws and regulations of the PRC, the U.S., and the U.K., which are material to our operations and which are discussed below.

PRC REGULATIONS

Domestic sales

We are principally engaged in the design, manufacture and wholesale of sofas and mattresses. Products that we manufacture are subject to laws, rules and regulations in relation to the product quality in the PRC. The Product Quality Law of the PRC (中華人民共和國產品質量法), promulgated on 22 February 1993 and subsequently amended on 8 July 2000, is the principal law governing the supervision and administration of product quality, and is applicable to the production and sale of all products in the PRC.

According to the Product Quality Law, manufacturers shall be liable for the quality of the products that they produce and sellers shall take reasonable actions to ensure the quality of the products they sell. The seller is responsible for the repair, exchange or refund of the products if the product displays the following defects:

(a) the product sold does not have the attribute or function that it ought to have, and there was no advance explanation or statement made to that effect;

(b) the product sold does not comply with the adopted standards indicated on the product or its package; or

(c) the product sold does not comply with similar product quality as indicated by means of product instruction or sample.

The manufacturer is to compensate the user of the defective product for harm caused by the defective product to any person or property other than the defective product itself, unless the manufacturer is able to provide evidence that:

(a) it did not put the product into circulation;

(b) the defect did not exist at the time the product was put into circulation, or it came into being afterwards; or

(c) the state of scientific or technological knowledge when the product was circulated was not such as to allow the defect to be discovered.

The seller is to compensate the user of the defective product for harm caused by the defective product to any person or property other than the defective product itself if such defect is caused by the seller. A person who is harmed or whose property is damaged by the defective product may claim such loss against the manufacturer or the seller.

With respect to the furniture industry, the relevant laws, rules and regulations imposed on furniture companies include the following:

1. Regulations on Supervision of Upholstered Furniture-Spring Mattress Manufacturing Enterprises (彈簧軟床墊生產加工企業監管規定), which took effect on 9 May 2004, was promulgated by The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局). This rule states that upholstered furniture should not be manufactured in the open air and should not use wasted industrial steel wire or rusted springs. The inner-core material and fabric and flexible plastic foams used for the upholstered furniture should comply with the requirements of human health. Besides what is stated in this rule, manufacturing of upholstered furniture should also comply with requirements in GB18383-2001 General Technical Requirements for Products with Filling Materials《絮用纖維製品通用技術要求》, GB17927-1999 Upholstered Furniture – Assessment of the Resistance to Ignition of the Spring Mattress and Sofa《軟體傢俱彈簧軟床墊和沙發抗引燃特性的評定》, GB18401-2001 Textiles – Limit to Formaldehyde Content《紡織品甲醛含量的限定》and QB/T1952.2-99 Upholstered Furniture《彈簧軟床墊》.

2. GB17927-1999 Upholstered Furniture – Assessment of the Resistance to Ignition of the Spring Mattress and Sofa (軟體傢俱彈簧軟床墊和沙發抗引燃特性的評定), which took effect on 1 May 2000, was promulgated by The General Bureau of Quality and Technical Supervision (國家質量技術監督局), which is now renamed as The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家品質監督檢驗檢疫總局). This rule states that certain procedures and tests should be performed to determine the resistance of the spring mattresses and sofas to ignition under different types of environment. The test is carried out by placing a lighted cigarette horizontally onto the surface of the spring mattress or sofa for a certain amount of time twice to ensure no ignition occurs.

3. GB18580-2001 Indoor Decoration and Refurbishing Materials – Limit of Formaldehyde Emission of Wooden Based Panels and related Finished Products (室內裝飾裝修材料人造板及其製品中甲醛釋放限量), which took effect on 1 January 2002, was promulgated by The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局). This rule specifies the limit of formaldehyde emission of wooden based panels and related finished products. Different types of products are categorised into subclasses by the different test methods. Each subclass has a different limit of formaldehyde emission and has different testing procedures.

4. GB 18583-2008 Indoor Decoration and Refurbishing Materials – Limit of Harmful Substances of Adhesives (室內裝飾裝修材料膠黏劑中有害物質限量), which took effect on 1 January 2002, was promulgated by The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局). This rule states the limit of harmful adhesive substances in indoor decoration and refurbishing materials. The adhesives are divided into two groups, solvent-based adhesives and water based adhesives. These adhesives are tested to ascertain the presence of the following harmful substances (i) free formaldehyde, (ii) benzene, (iii) toluene and xylene, (iv) toluene diisocyanate and (v) total volatile organic compounds.

5. GB 18584-2001 Indoor Decoration and Refurbishing Materials – Limit of Harmful Substances of Wood-Based Furniture (室內裝飾裝修材料木傢俱中有害物質限量), which took effect on 1 January 2002, was promulgated by The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局). This rule states the limit of harmful substances in any wood-based indoor furniture. Harmful substances include (i) formaldehyde emission, (ii) soluble lead, (iii) soluble cadmium, (iv) soluble chromium and (v) soluble mercury.

6. GB 5296.6-2004 Instruction for Use of Consumer Products – Part 6: Furniture 《消費品使用說明第6部分：傢俱》, which took effect on 1 October 2004, was promulgated by The Standardisation Administration of the PRC (國家標準化管理委員會) and The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局). This rule provides the basic requirements, methods, and contents to be included for the preparation of furniture manuals. The requirements include the following: (i) a manual must be included with all sales of furniture, (ii) in accordance with the national or industrial standards, the name of the furniture item must reflect the real item, (iii) the manual must clearly define the purpose and application under the specified environmental conditions, (iv) the furniture item must comply with relevant national safety, health, environmental protection laws, rules, regulations and standards, (v) the manual must also specify any special attention required for the usage of such furniture item, (vi) the manual should be amended accordingly when the structure, form and material changes, (vii) all manuals must clearly state the description and production date of the furniture item and date of press of the manual, (viii) the information contained in the manual must be consistent with the related advertisements and promotional materials, and (ix) if applicable, the manual must state "Before installation or usage, please read the instructions carefully." on the cover page.

Violation of the abovementioned laws, rules or regulations may result in the imposition of fines, penalties, suspension of operations, order to cease operations, or even criminal liability for severe cases.

Export sales

The PRC government has taken a proactive role in ensuring that wood-based products and furniture manufactured by domestic exporting enterprises are in compliance with the technical requirements and quality standards imposed by various major importing overseas countries. The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局), which has laid down the regulatory framework in this regard, is a ministerial-level department under the PRC State Council that is in charge of national quality, metrology, entry-exit commodity inspection, entry-exit health quarantine, entry-exit animal and plant quarantine, import-export food safety, certification and accreditation, standardisation, as well as administrative law enforcement.

Law of the PRC on Import and Export Commodity Inspection (中華人民共和國進出口商品檢驗法), which took effect on 1 August 1989, as amended, was adopted at the Sixth Meeting of the Standing Committee of the Seventh National People's Congress on 21 February 1989. This law requires that all commodities included in the Catalogue of Commodities for Import and Export shall be inspected by the commodity inspection authority. No permission shall be granted for the sale or use of import commodities specified in the preceding paragraph until they have undergone inspection; and no permission shall be granted for the export of export commodities specified in the preceding paragraph until they have been found to be up to standard through inspection. To further enforce the Law of the PRC on Import and Export Commodity Inspection, the PRC State Council promulgated the Administrative Provisions on Law of the PRC on Import and Export Commodity Inspection on 31 August 2005.

In order to maintain the continuous development of external trade and to ensure the product quality and safety of wood-based products and furniture exported to overseas countries, on 14 December 2007, The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) issued Administrative Notice Regarding Implementation of Quality Inspection on Exporting Wood-based Products and Furniture (關於對出口木製品及木制傢俱實施檢驗監管工作的通知) listing out the categories of wood-based products and furniture items which are subject to exit quality inspection by the respective local entry-exit inspection and quarantine bureau before such merchandise can be cleared with the custom office for export. The aforesaid notice stipulates, among other things, that:

1. wood-based products and furniture for export to overseas countries must meet the technical requirements and quality standards on (i) resistance to ignition, (ii) limit of formaldehyde emission, and (iii) limit of heavy metal content imposed by the respective importing countries, and in the event that the importing country does not have such technical requirements and quality standards, the related requirements and standards in the PRC should be followed and complied with. The major technical requirements and quality standards imposed by the European Union, the U.K., the U.S., Australia, Japan, and the PRC are incorporated in the aforesaid notice;

2. enterprises engaging in exporting wood-based products and furniture are subject to certification. Local entry-exit inspection and quarantine bureaus should actively assist exporting enterprises to establish a quality and safety control system covering raw material procurement, production process and finished product quality assurance. For those enterprises which have not established such a quality and safety control system, the bureau will impose deadlines for such enterprises to do so and before the quality and safety control system is established, finished products manufactured by such enterprises would not be inspected and approved by the bureau for export;

3. respective local bureaus should demand that exporting enterprises check the resistance to ignition, heavy metal content and degree of formaldehyde emission on various raw materials, including paint, adhesives, fabric, MDF boards and leather used in manufacturing. All quality check reports have to be issued by qualified laboratories. Proper records on the details of approved suppliers have to be kept by the exporting enterprises. Respective local bureaus would also conduct random checks on the quality of raw materials used in manufacturing by exporting enterprises; and

4. when applying approval for export, exporting enterprises should either provide the respective technical requirements and quality standards imposed by the relevant importing country or make a formal declaration that the finished products are in compliance with the technical requirements and quality standards of the relevant importing country to the respective local bureaus.

To further regulate the participants in the wood-based product manufacturing industry, on 1 February 2008, The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家品質監督檢驗檢疫總局) issued Administrative Notice on Further Strengthening Quality Supervision, Inspection and Quarantine Control on Exporting Wood and Hay-based Products《關於進一步加強出境竹木草製品檢驗檢疫監管工作的通知》requiring all the wood and hay-based product manufacturing enterprises to be registered with the respective local entry-exit inspection and quarantine bureaus before being allowed to be engaged in the industry. In order to be qualified for registration, enterprises must be capable of fulfilling the standards and requirements on production, quality control, warehousing, and logistics imposed by the respective local entry-exit inspection and quarantine bureaus. Enterprises which are registered with the local bureaus are granted a registration certificate. The validity of such certificate is three years from the date of grant and approval for renewal of such certificate is subject to the local bureau's assessment on the relevant enterprise's continuous capabilities in fulfilling the required standards and requirements.

Violation of the abovementioned laws, rules or regulations may result in the confiscation of illegal gains, imposition of fines, order to cease illegal operations, or even criminal liability for severe cases.

LAWS AND REGULATIONS IN RELATION TO LABOUR MATTERS

PRC Labour Contract Law (中華人民共和國勞動合同法), which took effect on 1 January 2008, stipulates certain requirements in respect of human resources management including, among other things, signing labour contracts with employees, dissolving labour contracts, paying remuneration and compensation as well as employee social insurance. In addition, PRC Labour Contract Law (中華人民共和國勞動合同法) requires employers to provide remuneration packages which are not lower than the respective local minimum standards.

PRC Employment Promotion Law (中華人民共和國就業促進法), which took effect on 1 January 2008, stipulates that employees shall have equal opportunities for employment without discrimination in terms of ethnicity, race, gender, religious belief, communicable disease and rural residence, and may not be discriminated against in hiring or in their employment. Enterprises are also required to provide employees with vocational training. Administrative authorities at the county level or above are responsible for implementing policies to promote employment.

Violation of the above mentioned laws may result in the imposition of fines, penalties, suspension of operations, order to cease operations, or even criminal liability for severe cases.

LAWS AND REGULATIONS IN RELATION TO PRODUCTION SAFETY

PRC Production Safety Law (中華人民共和國安全生產法), which took effect on 1 November 2002, is the principal law governing the supervision and administration of production safety in the PRC. The law provides that production entities must meet the relevant legal requirements such as providing training and handbooks on production safety to its staff and providing safe working conditions as set out in the relevant laws, rules and regulations. Any production entity that cannot provide the required safe working conditions may not engage in production activities.

Violation of PRC Production Safety Law (中華人民共和國安全生產法) may result in the imposition of fines, penalties, suspension of operations, order to cease operations, or even criminal liability for severe cases.

LAWS AND REGULATIONS IN RELATION TO DIVIDEND DISTRIBUTION

The principal regulations governing distribution of dividends by wholly FIEs, include:

- Corporation Law of 1993, as amended;
- Wholly Foreign-Owned Enterprise Law of 1986, as amended; and
- Wholly Foreign-Owned Enterprise Law Implementation Rules of 1990, as amended.

Under the current regulatory regime in China, FIEs in China may pay dividends only out of their accumulated profits, if any, determined in accordance with PRC accounting standards and regulations. After making up for any deficit in prior years pursuant to the PRC laws, a wholly FIE in China is required to set aside at least 10% of its after-tax profit calculated in accordance with PRC accounting standards and regulations each year as its general reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends. The board of directors of a wholly FIE has the discretion to allocate a portion of its after-tax profits to its staff welfare and bonus funds, which is likewise not distributable to its equity owners except in the event of a liquidation of the foreign-invested enterprise.

Violation of the abovementioned laws, rules or regulations may result in orders to make full allocation of required funds, and imposition of fines.

LAWS AND REGULATIONS IN RELATION TO FOREIGN CURRENCY EXCHANGE

Foreign Currency Exchange

China regulates foreign currency exchanges primarily through the following rules and regulations:

- Foreign Currency Administration Rules of 1996, as amended; and
- Administrative Rules of the Settlement, Sale and Payment of Foreign Exchange of 1996.

Changes in foreign exchange and foreign investment regulations in China may affect our ability to invest in China and the ability of our PRC subsidiaries to pay dividends and service debts in foreign currencies. Renminbi is not presently a freely convertible currency. Under the current PRC regulations, conversion of Renminbi is permitted in China for routine current-account foreign exchange transactions, including trade and service related foreign exchange transactions, payment of dividends and service of foreign debts. Conversion of Renminbi for most capital-account items, such as direct investments, investments in PRC securities markets and repatriation of investments, however, is still subject to the approval of the SAFE.

Pursuant to the above-mentioned administrative rules, foreign-invested enterprises may buy, sell and/or remit foreign currencies for current-account transactions at banks in China with authority to conduct foreign exchange business by complying with certain procedural requirements, such as presentation of valid commercial documents. For most capital-account transactions, approval from SAFE is a pre-condition. Capital investments by foreign-invested enterprises outside China are also subject to limitations and requirements in China, such as prior approvals from the PRC Ministry of Commerce, the SAFE and the NDRC.

Violation of the abovementioned laws, rules or regulations may result in confiscation of illegal gains, imposition of fines, penalties or even criminal liability for severe cases.

SAFE Circular 75

On 21 October 2005, the SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Return Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知), or Circular 75, which became effective on 1 November 2005. Under Circular 75, pre-registration with the local branch of the SAFE is required for a PRC resident to establish or control an offshore company ("special purpose vehicle") for the purposes of financing such special purpose vehicle in acquiring assets from, or equity interests, in an onshore enterprise within the PRC. Registration with the local branch of the SAFE by such PRC resident is also required for the injection of equity interests or assets of an onshore enterprise into a special purpose vehicle or fund set up by such special purpose vehicle, or any other material change involving a change in the capital of the special purpose vehicle. Under Circular 75, a "round-trip investment" refers to an investment made by a PRC resident into a Chinese domestic company through a special purpose vehicle. Since Circular 75 applies retroactively, PRC residents who had established or gained control of special purpose vehicles that had made onshore investments in the PRC or had made round-trip investments before Circular 75 became effective were also required to complete the registration procedures with the local branch of the SAFE by 31 March 2006. Pursuant to the relevant rules, failure to comply with the registration requirements as set forth in Circular 75 may result in the imposition of restrictions on the onshore company in respect of foreign exchange activities, including increasing of registered capital, payment of dividends or other distributions to its offshore parent or affiliate and capital inflow from the offshore entity, and may also subject the PRC resident to penalties under PRC foreign exchange administration regulations.

Mr. Li Jianhong, Mr. Zeng Wen Li and Mr. Li Chun Hui, who are PRC residents under Circular 75, obtained Shares through a stock exchange outside the PRC and have not been involved in the establishment or control, directly or indirectly, of any special purpose vehicles or made any round-trip investments that are subject to Circular 75 and as such, our PRC legal advisers have confirmed that they are not subject to registration requirements under Circular 75.

LAWS AND REGULATIONS IN RELATION TO RESTRICTIONS ON FOREIGN INVESTMENT

The principal regulation governing foreign ownership of furniture manufacturing and sale business in the PRC is the Foreign Investment Industrial Guidance Catalogue, updated and effective as of 1 December 2007. Under this regulation, the furniture manufacturing and sale business is a permitted industry.

REGULATIONS CONCERNING MERGERS AND ACQUISITIONS OF DOMESTIC ENTERPRISE BY FOREIGN INVESTORS

Pursuant to the M&A rules implemented since 8 September 2006 by the Ministry of Commerce, State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), State Administration of Taxation (國家稅務總局), SAIC, CSRC and SAFE and amended on 22 June 2009 by the Ministry of Commerce, "a foreign investor's merger and acquisition of a domestic enterprise" which will be regulated under the M&A rules shall mean (1) the foreign investor purchases any equity interests of any shareholder of a domestic non-foreign-invested enterprise (hereinafter referred to as "domestic enterprise") or subscribes to any increased capital of a domestic enterprise, thus making the domestic enterprise converted to and established as a foreign-invested enterprise; (2) the foreign investor establishes a foreign-invested enterprise and purchases, through such foreign-invested enterprise, any asset of a domestic enterprise by an agreement and operates such assets; or (3) the foreign investor purchases any asset of a domestic enterprise by an agreement and invests, with such asset, in the establishment of a foreign-invested enterprise to operates such asset.

The reorganisation which took place in anticipation of our listing on the SGX-ST in 2005 pre-dated the M&A rules. As advised by Jingtian & Gongcheng, our PRC legal adviser, there was no acquisition of any domestic enterprise by foreign investors as defined in the M&A rules conducted by our Group during this Reorganisation. Therefore, our PRC legal adviser, Jingtian & Gongcheng is of the view that the M&A rules are not applicable to this Reorganisation.

LAWS AND REGULATIONS IN RELATION TO TAXATION

The New EIT Law and Implementation Rules for the New EIT Law (中華人民共和國企業所得法實施條例), which became effective on 1 January 2008, impose a uniform enterprise income tax rate of 25% on both domestic and foreign-invested enterprises. However, pursuant to the Notice of the PRC State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy (關於實施企業所得稅過渡優惠政策的通知) promulgated on 26 December 2007, enterprises which are currently subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower rate and gradually become subject to the new tax rate over a transitional period of five years starting from 1 January 2008. Enterprises that were entitled to exemptions or reductions from the standard income tax rate for a fixed term prior to 1 January 2008 may continue to enjoy such treatment until such fixed term expires. However, for enterprises that have yet to enjoy such preferential treatment as a result of not making any profits, the preferential treatment period shall commence from 1 January 2008.

Violation of the above mentioned law, rules or notice may result in the imposition of fines, penalties, suspension of operations, order to cease operations, or, even criminal liability for severe cases.

ENVIRONMENTAL PROTECTION

The Group is subject to environmental protection laws, rules and regulations in the PRC. According to the Law on Environmental Protection of the PRC (中華人民共和國環境保護法) which took effect on 26 December 1989, the state environmental protection authority is authorised to formulate national environmental quality and discharge standards and monitor the environmental system at the national level. The Law on Prevention and Control of Environmental Noise Pollution of the PRC (中華人民共和國環境雜訊污染防治法), which took effect on 1 March 1997, stipulates the supervision and management measures in respect of the prevention and control of environmental noise pollution and industrial noise pollution, construction noise pollution, transportation noise pollution and social activities noise pollution. The law also stipulates the relevant legal liabilities. Other major environmental regulations applicable to us include the Law on the Prevention and Control of Water Pollution of the PRC, (中華人民共和國水污染防治法) Implementation Rules of the Law on the Prevention and Control of Water Pollution of the PRC, the Law on the Prevention and Control of Air Pollution of the PRC (中華人民共和國大氣污染防治法), the Law on the Implementation Rules on the Prevention and Control of Atmosphere Pollution of the PRC, the Law on the Prevention and Control of Solid Waste Pollution of the PRC (中華人民共和國固體廢物污染環境防治法) and PRC regulations regarding Administration of Construction Project Environmental Protection.

Violation of the abovementioned laws, rules or regulations may result in the imposition of fines, penalties, suspension of operations, order to cease operations, or even criminal liability for severe cases.

CONSUMER PROTECTION AND PRODUCT SAFETY LAWS IN THE UNITED STATES

During the Track Record Period, the U.S. accounted for 22.8%, 33.3%, 39.6% and 48.5% of our revenues, respectively. We have no material activities in the U.S. other than our export sales and related advertising and marketing activities. Certain U.S. Federal and state consumer protection and product safety laws, rules and regulations are applicable to our products sold in the U.S. These laws, rules and regulations may change from time to time and may negatively impact our business. The laws, rules and regulations with the most significant impact on our operations are described below. However, other federal, state and local laws may also impose certain obligations on us and affect the products we sell or distribute within the U.S.

The Consumer Product Safety Act ("CPSA") sets forth various laws pertaining to products sold in the U.S. and the Consumer Product Safety Commission ("CPSC") promulgates regulations under the CPSA. Section 15(b) of the CPSA requires every manufacturer of a consumer product sold in the U.S. to inform the CPSC within 24 hours of obtaining information that one of their products (1) fails to comply with certain consumer product safety rules, (2) contains certain defects or (3) creates an unreasonable risk of serious injury or death. The CPSC may also require the manufacturer to cease distribution of the product in question and notify persons to whom the product was sold or distributed of such non-compliance, defects or risk. In certain circumstances, the CPSC may require the manufacturer to bring the product in question into conformity with applicable consumer protection laws or regulations, repair the defect in the product, replace the product with an equivalent product that complies with relevant consumer safety rules, effect a product recall and/or refund the purchase price of the product.

Section 37 of the CPSA also requires a manufacturer to report to the CPSC any model of a consumer product that is the subject of the filing of at least three civil actions related to death or grievous bodily injury that result in final settlement or a court judgment in favour of the plaintiff within a specified 24-month period. The current 24-month period began on 1 January 2009.

The CPSC has proposed, but not yet adopted, flammability standards under the U.S. Flammable Fabrics Act ("FFA") for upholstered furniture such as currently applies to wearing apparel and interior furnishings. In addition, certain states continue to consider open flame regulations for upholstered furniture that may be different or more stringent than any standards adopted by the CPSC under the FFA. If such state standards are enacted we may be required to make different products for different states or change our processes or distribution practices in the U.S. It is possible that some states' more stringent standards, if adopted and enforced, could increase our manufacturing, sales and compliance costs.

The Consumer Product Safety Improvement Act of 2008 ("CPSIA") also requires that domestic manufacturers and importers of consumer products subject to statutes, regulations, rules, bans and standards enforced by the CPSC shall, as of 11 February 2010, issue general conformity certificates for such products attesting to compliance with such requirements.

As at the Latest Practicable Date, we had not been notified of any material claims in the U.S. in respect of our products and continue to believe that we are currently in material compliance with U.S. Federal and state consumer safety laws, rules and regulations. We continue to work with our staff and customers in the U.S. to monitor developments in the law which may be relevant to our products. As we do not manufacture our products in the U.S., it is likely that product liability claims against us, if any, would be by or on behalf of our customers who have contractual relationships with us; however, it is also possible that claims would be brought against us directly. If various U.S. federal, state or other regulatory agencies were to adopt new laws, rules and regulations, compliance with such new laws, rules and regulations may increase our costs, require us to alter our manufacturing processes and/or impair the performance of our products in the U.S.

CONSUMER PROTECTION AND PRODUCT SAFETY LAWS IN THE U.K.

During the Track Record Period, the U.K. accounted for 6.6%, 7.1%, 7.7% and 7.1% of our revenues, respectively. However, we have no commercial activities in the U.K. except for our export sales and related advertising and marketing activities. Certain European Community and U.K. product safety laws apply to our products sold in the U.K. These laws, rules and regulations may change from time to time and may negatively impact our business. The laws, rules and regulations with the most significant impact on our operations are described below.

The General Product Safety Regulations 2005 ("GPSR") were promulgated pursuant to the European Communities Act 1972 and implement the General Product Safety Directive (Directive 2001/95/EC and hereafter referred to as the "Directive") in the U.K. The Directive seeks to promote consumer product safety by:

- specifying that products placed on the market or supplied by producers and distributors must be safe;
- defining a safe product;
- imposing obligations on producers and distributors consistent with marketing safe products;
- establishing a framework for assessing safety; and
- empowering enforcement authorities to take action, including withdrawal and recall of a product, necessary to protect consumers from unsafe products.

A product's safety will be assessed by reviewing various factors including the product's characteristics, packaging, instructions for assembly, maintenance, use and disposal, labelling, the categories of consumers at risk when using the product, particularly children and the elderly, and other information provided for the consumer.

The obligations under the Directive are imposed upon the producer of the product which means the manufacturer when established in the EU and any other person presenting himself as the manufacturer; alternatively when the manufacturer is not established in the EU, as we are not, the obligations fall on the manufacturer's representative and the importer where there is no representative. We are under an obligation to co-operate with our customers and importers to ensure compliance with the Directive.

We are also subject to the Furniture and Furnishing (Fire) (Safety) Regulations 1988 (as amended in 1989 and 1993 and hereafter referred to as the "FFF Regulations"), which sets levels of fire resistance for domestic upholstered furniture, furnishings and other products containing upholstery. The FFF Regulations apply to all persons in the business supply chain and include, amongst others, manufacturers, importers and wholesalers. The FFF Regulations also prescribe the illustrations, colours and sizes of labels for display labels at the point of sale. Consequently, new furniture (including sofas) is subject to certain flammability tests for filling material, upholstery and cover fabric. For our products sold to the U.K., we appoint third party laboratories to test our products per our or our customers' specifications.

From time to time, there are other European directives which ban certain chemicals from being used in our products. For example, as at the Latest Practicable Date, DMF was banned from use in Europe in one or more pouches or in concentrations greater than 0.1 mg per kg of the product's weight. Manufacturers have used DMF in their leather sofas or in pouches fixed inside furniture where it protects the product from mould. The use of DMF was banned pursuant to the European Directive (2009/251/EC) published on 17 March 2009 (the "DMF Directive") following consumers in France, Poland, Finland, Sweden and the U.K. experiencing skin irritation, redness and burns and, in some severe cases, acute respiratory difficulty, which is said to have been caused by DMF contact with skin. The DMF Directive also requires any product containing DMF that has already been placed on the market be withdrawn by 1 May 2009 and consumers to be made aware of the potential risks associated with DMF. The U.K., as a member state of the European Union, has implemented the DMF Directive under the GPSR. The DMF Directive is a temporary measure which will, unless renewed, expire on 15 March 2011.

As at the Latest Practicable Date and save as disclosed in the section entitled "Business – Legal Proceedings", we have not been notified of any material claims in respect of our products and continue to believe that we are currently in material compliance with all relevant consumer safety laws, rules and regulations. It is likely that product liability claims, if any, by persons alleged to have been injured by our products would be made against our customers who would then seek a contractual indemnity against us. We continue to work with our customers in the U.K. to monitor developments in the law which may be relevant to our products. The European Commission and U.K. may adopt new laws, rules and regulations from time to time and compliance with U.K. laws does not necessarily render our product to be in compliance with directives from the European Commission. Compliance with such new laws, rules and regulations may increase our costs, alter our manufacturing processes and/or impair the performance of our products in the U.K.

ANTI-DUMPING REGULATIONS

Our legal advisers have confirmed that in respect of the U.S. and, as at the Latest Practicable Date, there are no anti-dumping regulations in respect of the products we sell there and in respect of the U.K., anti-dumping issues are dealt with by the European Commission by virtue of Anti-dumping Regulation 384/96 (as amended) and Anti-subsidies Regulation 2026/97 (as amended). As at the Latest Practicable Date, the European Commission had not published any anti-dumping regulations in respect of sofas being imported into the European Community (including the U.K.) from China.

LEGAL AND REGULATORY COMPLIANCE

We have an in-house PRC counsel who works closely with our Directors to ensure that our business and operations in the PRC are in compliance with the relevant PRC rules and regulations. We also seek external advice from PRC legal advisers when necessary.

The regulations for the U.S. and U.K. relate to liabilities for a manufacturer of goods which are sold in those markets. Accordingly, we work closely with our staff, furniture associations in the PRC and Hong Kong and our customers to monitor developments in the law. Our customers, being part of the supply chain, also have similar liabilities in respect of product liability, and thus, have a vested interest in ensuring that products manufactured by us and sold by them in those markets comply with the relevant laws.

CORPORATE MILESTONES

1992 Mr. Wong co-founded Man Wah Sofa with his joint venture partner, Ms. Au Yeung Yim Wah, an Independent Third Party, with each holding a 50% interest in Man Wah Sofa. Man Wah Sofa began with three staff in Hong Kong engaged in selling sofas.

1995 Mr. Wong bought out his joint venture partner and became the sole owner of Man Wah Sofa in 1995. He established a manufacturing facility in Shenzhen, PRC through a joint venture with a Chinese partner.

1997 Opened first retail outlet in Hong Kong under the trade name "Morewell Furniture".

At that time, our customer base had broadened to include customers from Japan, Korea, Singapore and the Middle East and we had started selling our products to furniture importers and retailers in the U.S.

1998 Acquired the brand names "Cheers" and "芝華仕".

2000 Famous Bedding was incorporated and commenced production and sale of mattresses and bedding accessories.

2001 Commenced sale of products to furniture importers and retailers in Europe.

2002 Appointed first three "Cheers" franchisees for specialty stores in Shanghai, Beijing and Shenzhen, PRC.

2003 Operated seven retail outlets in Hong Kong at North Point, Kowloon Bay, Shatin, Mongkok, Tsuen Wan, Hung Hom and Yuen Long.

Appointed 11 "Cheers" licensees in the PRC.

2005 Completed our initial public offering listing our sofa and wood-based furniture business on the Main Board of the SGX-ST and raising S$16.7 million (approximately HK$93.65 million) in gross proceeds from the sale of 72.5 million new ordinary shares at S$0.23 (approximately HK$1.29) each.

Commenced Phase 1 construction of a mega production facility, Man Wah Holdings Furniture Industrial Park, our Huizhou Daya Bay production facilities, on a 259,000 sq.m. plot of land in Huizhou Daya Bay, PRC.

2006 Raised S$24.1 million (approximately HK$135.15 million) in gross proceeds from the placement of 43,000,000 new ordinary shares at HK$0.40 each to fund Phase 2 expansion of our Huizhou Daya Bay production facilities.

Completed Phase 1 of our Huizhou Daya Bay production facilities increasing our annual sofa production capacity from 103,000 sets per annum to 153,000 sets per annum.

2007 Increased number of "Cheers" specialty stores in the PRC to 154 by the end of March 2007. Supplied to more than 20 of the U.S.' 100 largest furniture retailers (as ranked by leading trade publication Furniture Today) compared to just two in 2006.

2008 Increased number of "Cheers" specialty stores in the PRC to 213 by the end of March 2008. Supplied more than 30 of the U.S.' 100 largest furniture retailers (as ranked by leading trade publication Furniture Today).

Awarded one of "Asia 200 Best Under a Billion – Asia's Top 200 Small and Midsize Companies" by Forbes Asia.

2009 Delisted from the Main Board of the SGX-ST on 15 September 2009 through the Delisting Offer by Alina to purchase all Shares other than those Shares already owned, controlled or under contract to be acquired by Alina, the undertaking Shareholders or parties acting in concert with them.

Increased number of "Cheers" specialty stores in the PRC to 296 as of 30 September 2009.

Seven retail furniture outlets (one "Cheers" specialty store and six Morewell retail stores) in Hong Kong as of 30 September 2009.

Alina completed the compulsory acquisition of our remaining Shares held by public shareholders on 18 November 2009. Following the Delisting and the compulsory acquisition, Alina held 100% of our Shares. We subsequently undertook a reorganisation prior to the Listing, details of which are set out below under the section entitled "Reorganisation".

We integrated Famous Bedding together with the "Enlanda" specialty stores as part of the Group on 7 December 2009.

HISTORY

Our Group was founded in 1992 when our Chairman and founder, Mr. Wong and an Independent Third Party, Ms. Au Yeung Yim Wah, established Man Wah Sofa as a partnership in Hong Kong to engage in the sale of leather sofas. Initially, leather sofas were produced by an Independent Third Party sofa factory in Henggang Town, Longgang, Shenzhen, PRC pursuant to a processing agreement. Under the terms of the processing agreement, the sofa factory produced leather sofas for Man Wah Sofa in exchange for a processing fee. Pursuant to the arrangement with the sofa factory, Man Wah Sofa was also responsible for supplying machinery and raw materials. At that time, Man Wah Sofa's principal customers were retailers based in Hong Kong. In 1992, our first year with a team of only three staff we achieved total sales of approximately HK$3.5 million. In July 1995, Ms. Au Yeung Yim Wah sold her interests in Man Wah Sofa to Mr. Wong who subsequently incorporated Man Wah Industrial to undertake the business of Man Wah Sofa. In August 1994, New Uifa was incorporated in the PRC as a joint venture between Man Wah Sofa, which held 78% of its equity interests, and another Independent Third Party based in the PRC, Shenzhen Xinrong Gongmao Development Company Limited (深圳新榮工貿發展有限公司), which held the remaining 22% equity interests of New Uifa to take over the leather sofa manufacturing activity from the sofa factory at New Uifa's leased premises. New Uifa continued to manufacture leather sofas from that leased premises until June 1997.

In April 1995, in connection with our focus on the retail sales business, we established Man Wah International to sell and distribute leather sofas and other furniture products such as beds, tables and mattresses in Hong Kong. Later in 1995, we expanded our customer base to include customers located in countries such as Japan, Korea, Singapore and the Middle East.

During the first six months of 1997, New Uifa relocated to a larger leased production facility located near its existing production facility in order to expand capacity. During the same period, Man Wah Industrial acquired a piece of land with a land area of approximately 8,400 sq.m. in Man Wah Industrial Zone, No. 189 Industrial District, Henggang Town, Longgang, Shenzhen, PRC to construct our own production facility. We chose Shenzhen for our production facility due to its proximity to Hong Kong. In that same year, Man Wah Industrial opened our first retail outlet in Hong Kong, which had a GFA of approximately 2,500 sq.ft. under the registered trade name "Morewell Furniture" at Metropole International Department Store, North Point and, subsequently, another Morewell retail store in Hong Kong, which had a gross area of approximately 6,000 sq.ft. in Tuen Mun Town Plaza, Tuen Mun. We also began distributing our products to furniture importers and retailers in the U.S.

In 1998, we acquired the brand names "Cheers" and "芝華仕" which are registered trade marks under Class 20 in Hong Kong and the PRC, from Mr. Lo Cheuk Kay and Group Cheers Development Limited (君怡發展有限公司), respectively, both of whom are Independent Third Parties. The consideration for the Hong Kong trademarks and the PRC trademarks was HK$180,000 and HK$10,000, respectively, and was determined on an arm's length basis. Subsequently, we registered "Cheers" in the United Kingdom in 1999. The acquisition allowed us to leverage and further develop these brand names.

In the same year, as part of our plans to rationalise our Group structure and in anticipation of future expansion plans, we established a wholly-owned subsidiary, Man Wah Rong, in the PRC to take over leather sofa manufacturing from New Uifa. New Uifa then became dormant until October 1999. Man Wah Rong continued to operate from the same leased production facility in Shenzhen until October 1999. In 1998, we opened two additional Morewell retail stores in Hong Kong, which have an aggregate GFA of approximately 3,900 sq.ft. at Grand Central Plaza, Shatin and Shanghai Street, Mongkok. The Shanghai Street outlet subsequently closed in February 1999.

In May 1999, we opened a Morewell retail store in Hong Kong, which had a GFA of approximately 3,010 sq.ft., at Telford Plaza, Kowloon Bay, to extend our retail activities to other parts of Hong Kong. We closed the Telford Plaza outlet in September 2004 when the lease expired. In October 1999, we completed the first phase of construction on our production facilities located at Man Wah Industrial Zone, No. 189 Industrial District, Henggang Town, Longgang, Shenzhen, PRC and Man Wah Rong shifted its leather sofa manufacturing operations to our new premises. The production facilities, which include factories and workers' dormitories, occupy a land area of approximately 8,400 sq.m. and have a built-up area of approximately 10,300 sq.m.

In 2000, we opened another Morewell retail store in Hong Kong, which has a GFA of approximately 1,900 sq.ft., at Tsuen Wan Plaza, Tsuen Wan. In the same year, we also acquired the land adjacent to our production facilities in Shenzhen, which has a land area of approximately 6,100 sq.m. to facilitate the second phase of construction on our production facilities located at Man Wah Industrial Zone, No. 189 Industrial District, Henggang Town, Longgang, Shenzhen, PRC.

In May 2001, Man Wah Industrial acquired all the equity interests in New Uifa from Man Wah Sofa and the PRC joint venture partner. This acquisition allowed us to manage New Uifa more effectively and to convert it from a leather sofa producer to a foam producer in 2002. After the sale of New Uifa to Man Wah Industrial, Man Wah Sofa became dormant. In 2001, we also opened a Morewell retail store in Hong Kong which has a GFA of approximately 4,500 sq.ft. at Grand Century Place, Mongkok. In the same year, we commenced the sale of our products to furniture importers and retailers in Europe.

In 2002, we opened another Morewell retail store in Hong Kong, which has a GFA of approximately 3,000 sq.ft. at Home World, Whampoa Garden, Hung Hom. In the same year, we appointed three licensees for specialty stores to distribute our "Cheers" brand sofas in Shanghai, Beijing and Shenzhen in the PRC. Under our specialty store arrangements, the specialty stores are obliged to sell only our "Cheers" brand sofas.

In the same year, as part of our plans to integrate our manufacturing by producing our own foam and to lower our production costs, we set up a production facility in rented premises at Bao An Village, Henggang Town, Longgang, Shenzhen, PRC, which has a GFA of approximately 10,000 sq.m. We shifted all our foam production activities to this new production facility. In August of the same year, as a testament to the quality of our leather sofas, Man Wah Industrial was awarded the "Good Design of Sofa Sets" award by the International Famous Furniture Exhibition Fair Organising Committee.

In 2003, we opened a Morewell retail store, which had a GFA of approximately 2,600 sq.ft., in Hop Yick Plaza, Yuen Long and operated there until October 2004 when our lease expired. Also in 2003, we completed the second phase of construction of our sofa production facility located at Man Wah Industrial Zone, No. 189 Industrial District, Henggang Town, Longgang, Shenzhen, PRC. Following completion of the second phase of construction, our sofa production facility in Shenzhen had a GFA of approximately 27,600 sq.m. To further expand our PRC retail network, we appointed 11 "Cheers" licensees in the PRC in the same year.

In recognition of the quality of our sofa production process, in June 2004, our subsidiaries Man Wah Industrial, Man Wah Rong and New Uifa received ISO9001:2000 certification for the establishment and application of a quality system for the design and manufacturing of sofas. In October of that year, to further increase our production capacity, we leased a new sofa production facility located at Man Wah Industrial Zone, No. 11, No. 228 Industrial District, Henggang Town, Longgang, Shenzhen, PRC. The new sofa production facility has a GFA of approximately 6,100 sq.m. and commenced full scale production in March 2005.

We were incorporated in Bermuda on 4 November 2004 under the Bermuda Companies Act under the name "Man Wah Holdings Limited". We undertook a restructuring exercise whereupon our Company became the holding company of our Group's sofa and wood-based furniture business in anticipation of our listing on the SGX-ST. We were listed on the SGX-ST on 16 June 2005 remained listed on the SGX-ST for more than four years during which time we were in material compliance with the listing rules of the SGX-ST. During such time, we raised S$24.1 million (approximately HK$135.2 million) in gross proceeds from a placement of 43,000,000 new ordinary shares of HK$0.40 each to fund the phase 2 expansion of our Huizhou Daya Bay production facilities.

Since 2005, we have terminated all franchisee and licencee arrangements. Most of these franchisees and licencees are now our distributors.

We entered into a sale and purchase agreement on 26 August 2008 with Man Wah Far East and Weston International which owned 70% and 30% of the issued share capital of Famous Bedding, respectively. However, this agreement was not completed. Man Wah Far East is wholly owned by Mr. Wong and Weston International is wholly owned by Mr. Yu Tung Wan, one of our executive Directors. The consideration payable to Man Wah Far East for the proposed acquisition of 70% of Famous Bedding was 16% equity interest in Man Wah Furniture (SZ). As at 31 March 2008, the net asset value of Man Wah Furniture (SZ) was approximately RMB79.6 million (approximately HK$90.5 million). This consideration was calculated based on the proportionate contribution of the net profit after tax ("NPAT") of Bedding SZ for the 18-month period ending 30 June 2008 to the aggregate of (i) the NPAT of Man Wah Furniture (SZ) and (ii) NPAT of Bedding SZ for the 18-month period ending 30 June 2008. The NPAT for Bedding SZ to be used in the profit contribution calculation was to be as computed by the Company and calculated based on Famous Bedding being an investment company with negligible costs. The exact amount was not quantified as it involved an exchange of shares. The total imputed consideration for the entire acquisition was approximately RMB83.0 million (approximately HK$94.3 million), being derived from the consideration for the sale of the 30% stake in Famous Bedding by Mr. Yu Tung Wan which was approximately RMB24.9 million (approximately HK$28.3 million). Hence, the notional amount for the 70%

stake in Famous Bedding was approximately RMB58.1 million (approximately HK$66.0 million). The consideration payable to Weston International for the proposed acquisition of 30% of Famous Bedding was RMB24.9 million (approximately HK$28.3 million), the payment of which would have been satisfied by the issue and allotment of our Shares to Weston International at an issue price based on the weighted average of such Shares over a period of time since the announcement of the proposed acquisition. The proposed acquisition of Famous Bedding was conditional upon obtaining the approval of our non-interested Shareholders. We convened a special general meeting on 19 December 2008 for approval of the acquisition of Famous Bedding by our Shareholders. As our Share price decreased between the date of the announcement of the proposed acquisition and the special general meeting, the number of Shares to be allotted and issued to Weston International as consideration for the proposed acquisition increased and the Directors believe that the increased dilution was a factor taken into account by the non-interested Shareholders when they voted against the proposed acquisition.

On 5 June 2009, our Company and Alina announced the Delisting Offer for the voluntary Delisting by Alina.

The terms of the Delisting Offer were as follows:

(i) Alina offered to pay S$0.23 (approximately HK$1.29) in cash for each offer Share and this price was applicable to any number of Shares tendered in acceptance of the Delisting Offer;

(ii) Shareholders could choose to accept the Delisting Offer in respect of all or part of their holdings of the Shares; and

(iii) the Shares acquired by Alina were fully paid and free from all encumbrances and other third party rights.

The Delisting Offer was conditional on, inter alia, (i) approval of the Delisting by Shareholders holding at least 75% of the total number of issued Shares, and (ii) Shareholders holding less than 10% of the total number of issued Shares voting against the Delisting. A special general meeting was held on 11 August 2009 to vote on the Delisting. Based on the scrutineer's calculation as recorded in the minutes of the special general meeting held on 11 August 2009, the outcome of the votes was as follows:

For	**Against**
590,354,000 Shares (96.71%)	7,745,000 Shares (1.296%)

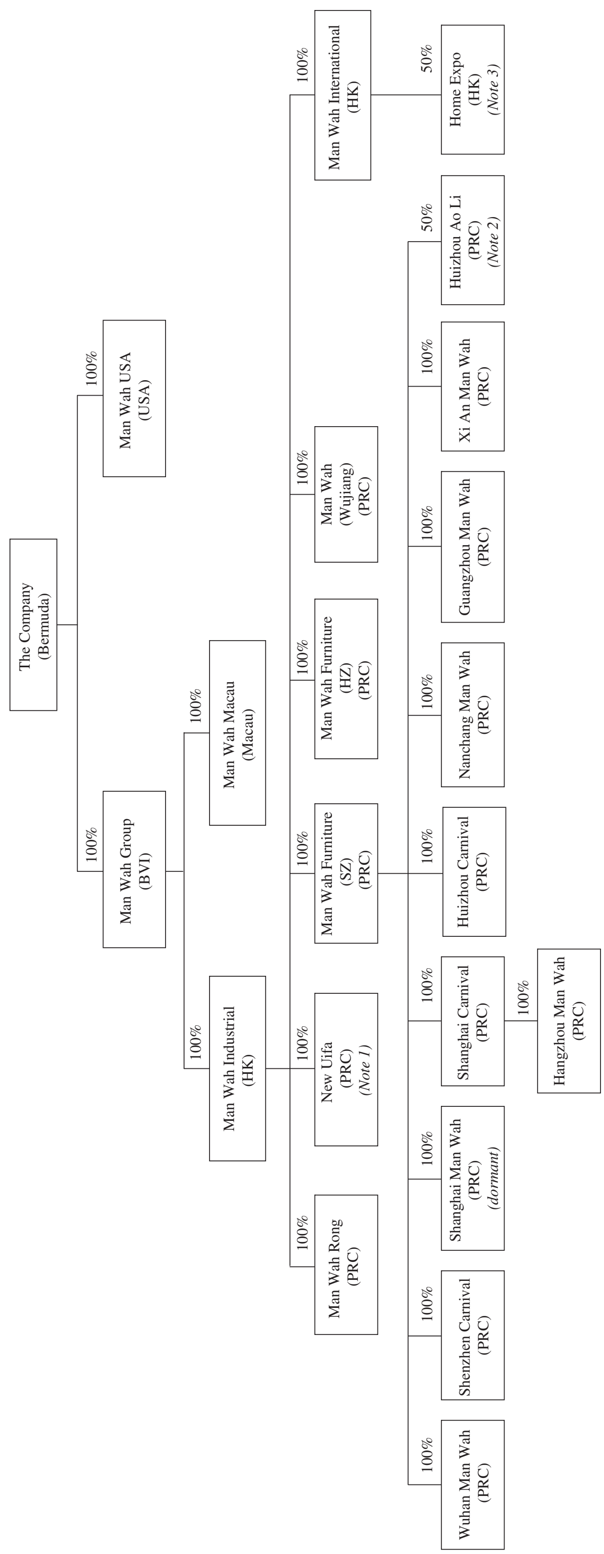
The above percentages reflect the percentage of the total of 598,099,000 Shares entitled to vote.

The total amount of the consideration paid by Alina pursuant to the Delisting Offer was S$28.4 million (approximately HK$159.3 million) which was funded by bank borrowings from United Overseas Bank Limited and by Mr. Wong personally.

CIMB Bank Berhad, Singapore Branch, the Company's independent financial adviser in relation to the Delisting, recommended that the Shareholders vote in favour of the resolution for the Delisting.

Prior to the Delisting, the corporate structure of the Group (including our associated companies) was as follows:

Group chart immediately before Delisting



Notes:

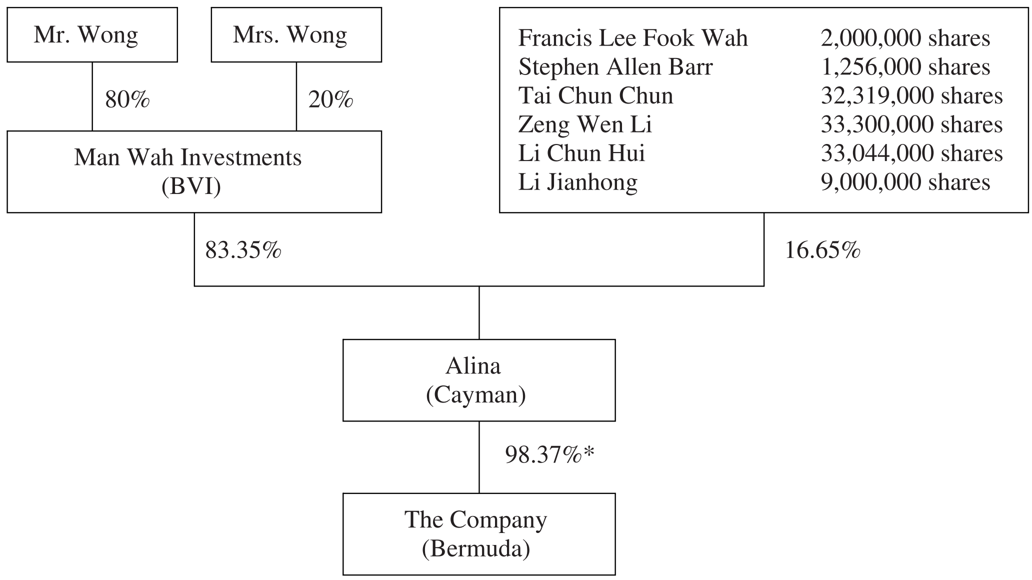
(1) New Uifa was subsequently liquidated on 9 February 2010.

(2) Huizhou Ao Li where the remaining 50% equity interest is owned by Xiamen Mengfali Technology (Group) Holdings Co., Ltd. (廈門蒙發利科技(集團)股份有限公司) as to 45% and Mr. Lu Jisheng (陸吉生先生) as to 5%. As at the Latest Practicable Date, Huizhou Ao Li was in the process of being liquidated.

(3) Home Expo is our jointly controlled entity, where the remaining 50% share capital is owned by Honourable Investment Limited, an Independent Third Party.

Prior to the Delisting, the Shareholders' interests of the Company were as follows:

Shareholders' interest immediately before Delisting



**Note:* The remaining 1.63% interests were held by Shareholders who did not respond to the Delisting Offer. With effect from 18 November 2009 and after the completion of the compulsory acquisition by Alina of the Company's Shares, Alina became the 100% shareholder of the Company.

Pursuant to the Delisting Offer the undertaking Shareholders and certain parties acting in concert with them purchased all our Shares not held by Alina for S$0.23 (approximately HK$1.29) per Share.

Our Company was subsequently delisted from the SGX-ST on 15 September 2009. Thereafter, Alina acquired the remaining minority Shareholders' Shares on 18 November 2009 pursuant to a compulsory acquisition. The reasons for the Delisting, amongst others, were as follows:

(a) Low Trading Liquidity

Market records show that trading of the Shares on the SGX-ST had been generally thin. For the six-month period prior to 5 June 2009, being the date on which we announced the proposal for the Delisting, the average trading volume for the market days on which the Shares were traded on the SGX-ST was 514,505 Shares (based on information obtained from Bloomberg), representing approximately 0.23% of our Company's free float of Shares at the relevant time.

(b) Upfront Premium

The Delisting would give Shareholders an opportunity to realise the value of their investments in our Company at a premium over the historical trading prices of the Shares on the SGX-ST without incurring brokerage and other trading costs.

(c) Lack of Understanding from Investors in Singapore

Our Company's operations are mainly based in Hong Kong and the PRC where it has a retail network fuelled by domestic consumption. Demand for our products stems largely from North America, Europe and North Asia. The lack of presence in Singapore resulted in investors in Singapore not having sufficient understanding of our products and business.

After the Delisting, we subsequently integrated Famous Bedding into our Group pursuant to a transfer of shares from Man Wah Far East and Weston International to Man Wah Group on 7 December 2009 in anticipation of the Listing. Both Mr. Wong and Mr. Yu Tung Wan have been substantially involved in the management and operation of the Famous Bedding Group throughout the Track Record Period.

The sale and purchase agreement dated 7 December 2009 provided that the aggregate consideration for such transfer was the issue of a total of 57,616,000 Shares of which 40,331,000 Shares and 17,285,000 Shares were issued to Man Wah Investments (at the direction of Man Wah Far East) and Weston International, respectively. No independent valuation for Famous Bedding was done for purposes of the acquisition. The basis of the consideration was determined by the parties following good faith negotiations having regard to (i) the profits, (ii) growth potential; and (iii) size of operations of Famous Bedding vis-a-vis the Company. The Company is of the view that it is in its best commercial interest to enter into such sale and purchase agreement. The net profits of Famous Bedding during the Track Record Period were HK$6,613,000, HK$10,192,000, HK$15,118,000 and HK$23,038,000, respectively. As at 30 September 2009, the audited net asset value of Famous Bedding was HK$44,394,000 and as at 30 November 2009 it had 170 stores operated by 128 distributors and 43 self-operated stores. The following table sets forth a summary of the key differences in the terms of the proposed acquisition and integration of Famous Bedding prior to and after the Delisting, respectively:

	Proposed acquisition of Famous Bedding prior to the Delisting	**Integration of Famous Bedding into our Group after the Delisting**
Date of sale and purchase agreement	26 August 2008	7 December 2009
Status of the Company	Listed on the SGX-ST	Private company
Counter parties	Man Wah Far East (wholly owned by Mr. Wong) and Weston International (wholly owned by Mr. Yu Tung Wan), which owned 70% and 30% of the issued share capital of Famous Bedding, respectively	
Consideration	Imputed consideration for the entire acquisition was approximately RMB83.0 million (approximately HK$94.3 million).	Consideration not quantified

	Proposed acquisition of Famous Bedding prior to the Delisting	Integration of Famous Bedding into our Group after the Delisting
Satisfaction of consideration	(i) Issue of 16% equity interest in Man Wah Furniture (SZ) to Man Wah Far East; and (ii) Issue and allotment of Shares to Weston International	(i) Issue of 40,331,000 Shares to Man Wah Investments (at the direction of Man Wah Far East); and (ii) Issue of 17,285,000 Shares to Weston International
Basis of determination of consideration	Based on proportionate contribution of net profit after tax ("NPAT") of Bedding SZ for the 18-month period ending 30 June 2008 to the aggregate of the NPAT of Man Wah Furniture (SZ) and Bedding SZ for the same period.	Good faith negotiations having regard to the profits, growth potential and size of operations of the Famous Bedding vis-a-vis the Company.
Approvals required	Board and shareholders' approval	Board approval only

New Uifa, originally a joint venture company owned by Man Wah Sofa and an Independent Third Party, was the first factory used for the manufacture of leather sofas for our Group since 1994. From August 1994 to 1998 New Uifa manufactured leather sofas in two leased premises in the PRC. In preparation for the reorganisation and expansion of the Group, Man Wah Rong, a wholly-owned subsidiary set up in 1998, took over the leather sofa manufacturing activity in the PRC. As a result of the transfer of the leather sofa manufacturing activity to Man Wah Rong, New Uifa became dormant. In May 2001, Man Wah Industrial acquired all the equity interests of New Uifa and since 2002, New Uifa's business activity was converted from the production of leather sofas to the production of foam. We established an additional foam production facility at the Man Wah Holdings Furniture Industrial Park after the completion of Phase 1 of this park in 2006, which has sufficient capacity to produce significantly more foam than we produced through the New Uifa factory. Additionally, our new foam production facility is more efficient than the New Uifa facility. New Uifa then became dormant again in December 2007 and was eventually liquidated on 9 February 2010.

As at the Latest Practicable Date, we had production facilities in the PRC of over 320,000 sq.m. GFA, over 4,800 employees, one "Cheers" specialty store and six Morewell retail stores in Hong Kong, 296 "Cheers" specialty stores and 213 "Enlanda" specialty stores in the PRC and significant exports to furniture importers and retailers in the U.S. and Europe.

REORGANISATION

As part of the compulsory acquisition of all Shares by Alina subsequent to the Delisting, we became wholly-owned by Alina on 18 November 2009. In anticipation of the Listing:

(a) on 27 November 2009, Alina declared a distribution in specie of all its Shares so that each of its shareholders received a pro rata distribution of Shares. Following the distribution, our Shares were held as follows:

Shareholders	No. of shares currently held	%
Man Wah Investments	555,281,000	83.35
Mr. Zeng Wen Li	33,300,000	5.00
Mr. Li Chun Hui	33,044,000	4.96
Ms. Tai Chun Chun	32,319,000	4.85
Mr. Li Jianhong	9,000,000	1.35
Mr. Francis Lee Fook Wah	2,000,000	0.30
Mr. Stephen Allen Barr	1,256,000	0.19
Total	666,200,000	100.00

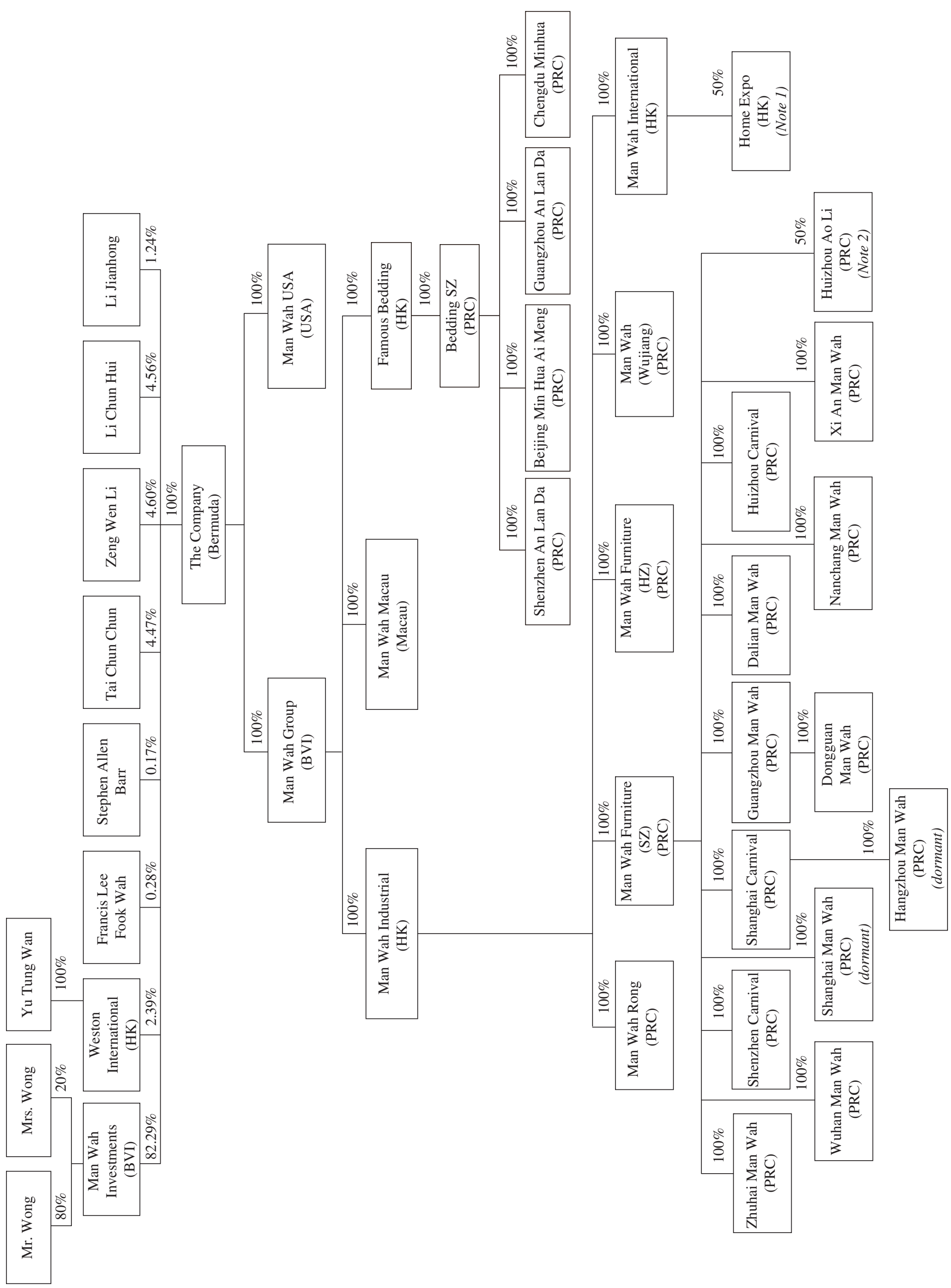
(b) on 7 December 2009, the entire issued share capital of Famous Bedding was transferred from Man Wah Far East and Weston International to Man Wah Group, our subsidiary. As consideration for the transfer we issued 40,331,000 Shares to Man Wah Far East (which Man Wah Far East directed us to issue to Man Wah Investments) and 17,285,000 Shares to Weston International, credited as fully paid. Thereafter, our Shares were held as follows:

Shareholders	No. of shares post acquisition	%
Man Wah Investments	595,612,000	82.29
Weston International	17,285,000	2.39
Mr. Zeng Wen Li	33,300,000	4.60
Mr. Li Chun Hui	33,044,000	4.56
Ms. Tai Chun Chun	32,319,000	4.47
Mr. Li Jianhong	9,000,000	1.24
Mr. Francis Lee Fook Wah	2,000,000	0.28
Mr. Stephen Allen Barr	1,256,000	0.17
Total	723,816,000	100

CORPORATE STRUCTURE

Corporate Structure Immediately Prior to the Global Offering

The following chart sets forth the corporate structure of our Group (including our associated companies), after the Reorganisation and before the Global Offering:



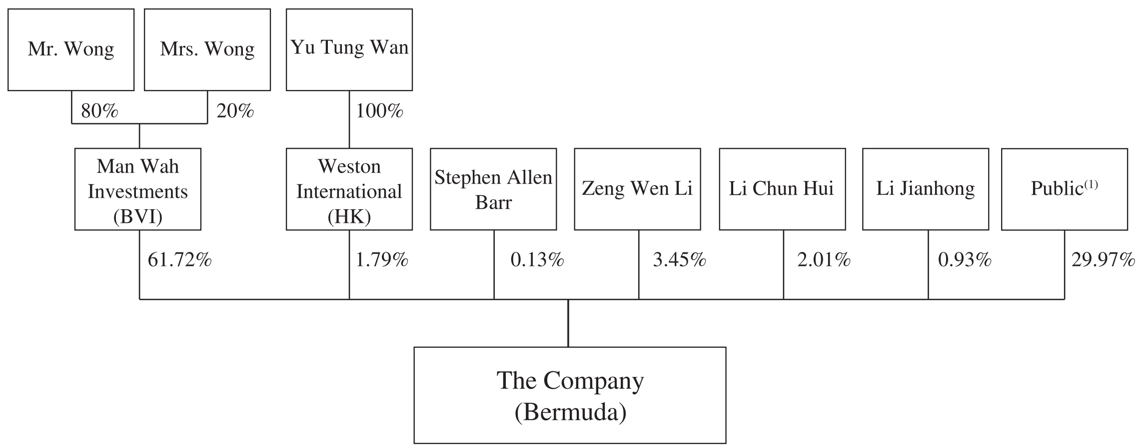
Notes: Our jointly-controlled entities are:

(1) Home Expo where the remaining 50% share capital is owned by Honourable Investment Limited, an Independent Third Party.

(2) Huizhou Ao Li where the remaining 50% equity interest is owned by Xiamen Mengfali Technology (Group) Holdings Co., Ltd. (廈門蒙發利科技（集團）股份有限公司) as to 45% and Mr. Lu Jisheng (陸吉生先生) as to 5%. Huizhou Ao Li has discontinued its operations by its shareholders. As at the Latest Practicable Date, Huizhou Ao Li was in the process of being liquidated.

Corporate Structure Upon Completion of the Global Offering

Immediately following the Global Offering, there will be no change to our interests in the companies comprising our Group and our associated companies. The following chart sets forth the details of our Shareholders immediately following completion of the Global Offering but excluding shares which may fall to be issued pursuant to the exercise of the Over-allotment Option or options granted under the Share Option Scheme:



Notes:

(1) The 29.97% interest under public Shareholders comprises the 25% interest to be issued pursuant to the Global Offering and the 4.97% interest offered for sale by the Selling Shareholders under the International Offering.

(2) Mr. Francis Lee Fook Wah and Ms. Tai Chun Chun will have ceased to be Shareholders as they will have sold all of their Shares pursuant to the Global Offering.

OVERVIEW

We are principally engaged in the production and sales of Recliner Sofas, which we produce in the PRC and export to customers in overseas markets, such as the U.S. and Europe, and sell domestically in the PRC. We focus on Recliner Sofas with features such as extending footrests and swivel functions that are marketed under our "Cheers" brand. We design and market our products as high quality affordable luxury products.

We are the market leader in terms of revenue in the PRC Recliner Sofa industry and the eighth largest player in the Recliner Sofa market in the U.S. in terms of revenue according to the Euromonitor 2009 Report.

We employ a twin-pronged strategy with respect to the sales of our products: prominent retail presence in the PRC and Hong Kong and direct exports. Our customers comprise primarily (i) customers who purchase our products at our self-operated "Cheers" and "Enlanda" specialty stores in the PRC and "Cheers" and Morewell retail stores in Hong Kong, (ii) distributors who operate stores in the PRC using our "Cheers" or "Enlanda" brand names and (iii) retailers in overseas markets (which excludes Hong Kong) who purchase our "Cheers" products for sale in their stores to end customers under our "Cheers" brand or their own brands. Approximately 1% of our sales revenue are attributable to wholesalers in Hong Kong and the U.S. for the six months ended 30 September 2009.

We sell a wide range of Recliner Sofas to retailers in over 50 countries overseas with the U.S. and Europe being our strongest export markets. These retailers typically resell Recliner Sofas to end customers through their own retail network. In the U.S., we target middle-class consumers in suburban markets where houses tend to be larger and accordingly there is greater demand for furniture. We focus on providing high quality affordable luxury products that satisfy consumers' desires such as larger sectionals with one or more recliners or other features, sofas with bucket seats and home theatre sofa sets. Our customers in the U.S. include 30 of the top 100 largest U.S. furniture retailers such as American Signature Inc. In Europe, we sell our products to retailers such as Steinhoff International Holdings Ltd. Our overseas customer base has grown from just two large furniture retailers in the U.S. in 2006 to over 500 retailers in the U.S., Canada and several countries in Europe at the end of 2009.

We sell Recliner Sofas in the PRC mainly through our own self-operated specialty retail stores and stores operated by our distributors. In the PRC we target the middle and high price point consumers. We are focused on the fast growing domestic furniture and middle-class customer markets in the PRC. These customers are served by our extensive retail network which has grown from three "Cheers" specialty stores in Shanghai, Beijing and Shenzhen in 2002 to 296 "Cheers" specialty stores in major cities in over 20 provinces throughout the PRC by the end of 2009.

Our "Cheers" brand has received numerous awards in the PRC including the prestigious "China Top Brand (中國名牌產品)" award presented by the State General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家品質監督檢驗檢疫總局) in September 2007. In September 2008, we were also selected as one of "Asia's 200 Best under a Billion – Asia's Top 200 Small & Midsize Companies" by Forbes Asia. According to Euromonitor, our flagship brand, "Cheers", achieved the number one position in the PRC in terms of revenue and market share as early as 2004.

While the majority of our sales come from Recliner Sofas, we also manufacture and sell non-Recliner Sofas, mattresses and bedding accessories, and design and sell other furniture under our “Cheers” or “芝華仕”, “Enlanda” or “Enlanda 愛蒙” and “LAND” brands. Apart from our 296 “Cheers” specialty stores, we also have 213 “Enlanda” specialty stores in the PRC and one “Cheers” specialty store and six Morewell retail stores in Hong Kong where we sell our “Cheers”, “芝華仕”, “Enlanda” or “Enlanda 愛蒙” and “LAND” brand products. We also sell a small number of other third party brand products in our Morewell retail stores.

We have enjoyed steady growth in revenues and net profits over the last five years. Our revenues have grown from HK$884.9 million in the financial year ended 31 March 2007, to HK$1.96 billion for the financial year ended 31 March 2009 despite the extremely challenging economic climate. Our net profits have also grown from HK$96.9 million to HK$228.0 million over the same period. The U.S. and Europe are our key export markets. During the Track Record Period, the U.S. accounted for 22.8%, 33.3%, 39.6% and 48.5% of our revenues, respectively, while Europe accounted for 23.7%, 20.6%, 17.8% and 12.9% of our revenues during the Track Record Period, respectively. During the same periods, sales to the PRC and Hong Kong accounted for 26.7%, 29.8%, 30.5% and 29.0%, respectively. The PRC was our fastest growing segment for the financial year ended 31 March 2009 in terms of revenue and gross profit with revenue rising 45.2% to HK$485.8 million and gross profit rising 56.7% to HK$239.3 million over the previous financial year. Markets outside of the PRC also saw a significant increase for the financial year ended 31 March 2009 with revenue for our export segment rising 22.3% to HK$1.48 billion and gross profit rising 36.0% to HK$461.7 million over the previous financial year. We intend to leverage on our competitive strengths to maintain or increase this rate of growth in the PRC and other regions by continuing to provide high quality affordable luxury products, building on our established brand and expanding our sales and retail network.

OUR COMPETITIVE STRENGTHS

We believe that the following competitive strengths have been key factors for our success to date and will enable us to maintain our dominant market position and capture the anticipated future growth in our target markets:

We are well positioned to capitalise on growth opportunities in overseas markets.

We sell Recliner Sofas to retailers in over 50 countries overseas with the U.S. and Europe being our strongest export markets. According to Euromonitor, we were ranked as the eighth largest player in the Recliner Sofa market in the U.S. in terms of revenue in 2008. Our customers in the U.S. include 30 of the top 100 largest furniture retailers (as ranked by leading trade publication “Furniture Today”) such as American Signature Inc. Our customers in Europe include retailers such as Steinhoff International Holdings Ltd. We also participate in trade exhibitions such as the High Point Market in North Carolina and the Las Vegas Market. We are also in the process of appointing country managers for key markets in Europe, such as the United Kingdom.

Our revenues from sales in the U.S. and Europe increased 51.2% and 9.7%, respectively, for the financial year ended 31 March 2009 as compared to the financial year ended 31 March 2008. The increase in our U.S. sales was due to higher volumes as well as higher value sales orders from both new and existing customers. We believe that this growth in demand was driven in part by our expanded production platform, relationships with prominent retailers, product offerings which are in-line with consumer preferences, "nesting" and home entertainment trends and our reputation for providing high quality affordable luxury products. The increase in our European sales was due to increased orders from existing customers and orders from new customers. We believe that this continued growth in demand was driven by our ability to provide high quality affordable luxury products. Due to the established markets for our products in the U.S. and Europe and our customer relationships, we are well positioned to continue to grow our sales to both new and existing customers in overseas markets particularly once the global economy starts to recover.

Our "Cheers" brand is well recognised and associated with high quality, affordable luxury products.

Our emphasis on product quality and our effective marketing strategy have helped us to develop our brand names "Cheers" and "芝華仕" to represent high quality, affordable luxury products and become the market leader in terms of revenue in the PRC Recliner Sofa industry. Our "Cheers" brand has received numerous accolades including the prestigious "China Top Brand (中國名牌產品)" award presented by the State General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家品質監督檢驗檢疫總局) in September 2007. We have been committed to developing our "Cheers" and "芝華仕" brands since we opened our first "Cheers" specialty store in the PRC in 2002. We have an image design and development team of approximately 50 staff dedicated to building brand awareness and the image and branding of our products and stores. We use a variety of measures to increase our brand awareness in the PRC, including advertising regularly in newspapers and magazines and to a lesser extent, on billboards and through trade exhibitions. We recently started a sports sponsorship programme with a PRC badminton team of which 2008 Olympic gold medallist, Lin Dan (林丹) is a member. We also actively participate in trade exhibitions in Asia, the U.S. and Europe to promote our products.

Our market leadership in the PRC Recliner Sofa industry positions us to capitalise on the growing domestic furniture market in the PRC.

According to Euromonitor, the retail sales in the consumer goods market in the PRC exceeded RMB10 trillion in 2008, with the Recliner Sofa market comprising RMB2.1 billion in 2008 and expected to reach RMB5.3 billion (US$0.8 billion) by 2011. We are well positioned to capitalise on this anticipated growth. According to Euromonitor, our flagship brand, "Cheers", achieved the number one position in the PRC in terms of revenue as early as 2004. For 2008, Euromonitor estimates that "Cheers" commanded 16.2% of the PRC market share, well ahead of the number two player with 4.0% of the market share. We currently have 296 "Cheers" specialty stores in prime urban locations throughout the PRC, including Shanghai, Beijing and Shenzhen, selling our products exclusively. We also have over 213 "Enlanda" specialty stores carrying "Enlanda" or "Enlanda 愛蒙" brand products in prime urban locations such as Beijing, Guangzhou, Shenzhen and Chengdu. Our retail presence in the PRC has grown steadily from three "Cheers" specialty stores in Shanghai, Beijing and Shenzhen in 2002 to 296 "Cheers" specialty stores and 213 "Enlanda" specialty stores in major cities in over 20 provinces throughout the PRC and we intend to continue to add retail stores to our network.

We were the fastest growing company out of the top 10 manufacturers in the U.S. Recliner Sofa market in 2008. According to Euromonitor, the brand value of six out of the top ten brands in the U.S. fell between 2007 and 2008 while our brand value increased by 42.4% in the same period.

We have a strong design, research and development team that continues to develop new and innovative products that satisfy our customers' needs.

Our experienced product design, research and development team of 61 staff, including two Italian designers, is dedicated to developing new and innovative products to meet our customers' needs and desires. Our product design and development team is constantly monitoring market trends through frequent discussions with our sales and marketing teams, market surveys and participation in trade shows. Further, our product design and development team works closely with our research and development team to find new and innovative ways to improve our products. Our design and development efforts have led to our bucket seat and home theatre set designs as well as customised features targeted at particular markets such as larger designs for the U.S. as homes and the average person tend to be larger as compared to Asia. Our research and development efforts have led to the evolution of our self-developed motion mechanisms in our Recliner Sofas from manually operated levers to power mechanisms which allow the sofa to be adjusted to various positions at the touch of a button. We also have a foam research and testing centre at our sofa production facility at Huizhou, Daya Bay where we conduct various tests to determine the optimal combination of foam of varying densities for each of our sofa models. Our ability to keep abreast of market trends and continuously introduce new and improved products (typically 100 to 150 new sofa models per year) allows us to provide our customers with more choices to meet their needs and expectations. Further, our integrated manufacturing processes, including the location of our production facilities in the PRC and strong relationships with raw materials suppliers, allow us to maintain lower costs of production enabling us to offer our products at competitive prices to our customers in the PRC and elsewhere.

OUR STRATEGIES

Our principal goals are to become a globally recognised brand for high quality affordable luxury products and maintain our position as the leading Recliner Sofa retailer in the PRC. We aim to achieve this through the following principal strategies:

Continue to expand and strengthen our presence in the PRC

We intend to implement our PRC expansion strategy by:

- *Constructing new production and distribution facilities in China*. To facilitate our expansion plans in China, we intend to construct a new production and distribution facility in Wujiang, Jiangsu to better service our retail operations in cities near the Yangtze River Delta. We intend to allocate HK$326.0 million from the proceeds of the Global Offering for this purpose with the remaining HK$474.0 million to be funded with internal cash resources. Following the completion of this new facility, we expect our annual production capacity to increase by 300,000 sofa sets and our operational efficiencies to improve. We are in the process of securing a suitable location for the facility and obtaining the necessary licences and approvals and expect this facility to commence commercial operations in the last quarter of the financial year ending 31 March 2012. We also plan to establish a production and/or distribution centre in northern China by constructing a facility similar to our existing facilities in Shenzhen and Huizhou, but on a smaller scale, in that region in the future.

- *Expanding our PRC retail network*. We currently have 296 "Cheers" and 213 "Enlanda" specialty stores in major cities in over 20 provinces across the PRC. Over the next two to three years, we intend to expand our retail network in the PRC to approximately 1,000 "Cheers" and "Enlanda" specialty stores in selected locations to capitalise on the growing middle-class and increased urbanisation in the PRC, starting with Northeast China.

- *Building stand-alone furniture outlets*. We plan to open 25 large stand-alone furniture outlets where we can offer all our products under one roof. We are currently in negotiations to acquire premises for the first of such furniture outlets in Wuhan, Hubei and intend to allocate approximately HK$20.0 million from the proceeds of the Global Offering for this purpose with a view to commencing operations by the third quarter of 2010. We believe that such furniture outlets will attract more customer flow, lengthen customer stay and ultimately increase their overall spending with us.

Expand our geographic reach and strengthen our position as one of the leaders in the Recliner Sofa market overseas

We commenced the sale of our products to furniture importers and retailers in North America in 1997, followed by Europe in 2001. Our customers in North America currently include more than 30 of the top 100 largest U.S. furniture retailers (as ranked by "Furniture Today"), such as American Signature Inc. Our customers in Europe currently include retailers such as Steinhoff International Holdings Ltd. We aim to strengthen our position as a critical supplier for retailers in North America by continuing to strengthen relationships with our customers, leveraging on our reputation for providing high quality affordable luxury products and monitoring market trends to ensure that our products continue to meet consumers' demands. Additionally, in Europe we intend to appoint country managers in major markets like the U.K. We also intend to intensify marketing efforts in countries like Spain, Portugal and Italy by, among other things, participating in more trade exhibitions. Further, we currently have strategic buyers in Australia and New Zealand and are evaluating appointing country managers in those markets. We are looking to expand our geographical reach to Eastern Europe where we see potential for sales and are looking to appoint additional agents to assist with penetrating this market.

Strengthen our brands

Brand awareness and recognition of our brands are critical to our success. We believe we have attained a critical mass in terms of the size of our PRC network and are now well positioned to benefit from economies of scale in advertising. Although we already enjoy strong brand recognition for our "Cheers" brand in the PRC, we believe we can continue to build on our "Cheers" brand and further develop and increase recognition for our other brands. We have engaged Ogilvy & Mather as a brand consultant to help refine our brand strategy and improve our brand positioning with a view to further developing and increasing recognition of our "Cheers" brand in the PRC. We intend to continue to promote recognition and awareness of our brands in the PRC through increased advertising in traditional media such as newspapers, magazines and radio. We also intend to continue participation in major trade exhibitions in Asia, North America and Europe and look for opportunities to participate in new trade exhibitions. Further, we have recently started a sponsorship programme with a PRC badminton team of which 2008 Olympic gold medallist, Lin Dan (林丹), is a member, and intend to continue to identify additional sports and events for new sponsorship opportunities that can further enhance our brands.

Capitalise on growth opportunities in the bedding market

Our mattresses and bedding accessories are marketed as high quality affordable luxury products in the PRC and Hong Kong. We target our bedding products to the growing middle-class population in the PRC and Hong Kong. Our bedding revenues have grown from HK$35.3 million for the financial year ended 31 March 2007 to HK$117.1 million for the financial year ended 31 March 2009. We will leverage our existing sales networks to cross sell and capitalise on our experience and expertise gained from growing our Recliner Sofa business to continue to grow our bedding business.

PRODUCTS

We are the leader in the Recliner Sofa market in the PRC and one of the leaders in the Recliner Sofa market in the U.S. We focus on Recliner Sofas with features such as extending footrests and swivel functions that are marketed under our "Cheers" brand. In addition to Recliner Sofas, we also manufacture and sell non-Recliner Sofas, mattresses and bedding accessories, and design and sell other furniture under our "Cheers" and/or "芝華仕", "Enlanda" or "Enlanda 愛蒙" and "LAND" brands, respectively. Our products can generally be classified into the following categories:

Sofas

We are primarily engaged in the design, manufacture and sale of Recliner Sofas. Our product features range from customised reclining home theatre sofa sets to Recliner Sofas with various swivel, rocking or extending footrest functions to stationary sofas. We also design, manufacture and sell non-Recliner Sofas. Our sofas are targeted at middle-class suburban markets in the U.S. and middle to high price point consumers in the PRC.



We focus on providing high quality affordable luxury products that satisfy consumers' desires such as larger sectionals with one or more recliners or other features, sofas with bucket seats and home theatre sofa sets. Our sofas may be assembled in a variety of configurations such as a three-seater, a two-seater and a one-seater or a three-seater and two one-seaters, depending on customer preference. For each of the three financial years ended 31 March 2009 and the six months ended 30 September 2009, over 90% of the total number of sofa sets (a sofa set is comprised of three-seater, a two-seater and a one-seater) we produced were Recliner Sofa sets.

Our sofas are manufactured in a broad variety of designs from traditional designs, with handicraft in wooden frames usually in black, dark brown or other dark colours, to more contemporary styles with steel or aluminium frames in brighter colours such as red, orange and bright blue. We sell our sofas under our "Cheers" and "芝華仕" brand names. Approximately 94.0% and 92.3% of our total revenue for the financial year ended 31 March 2009 and the six months ended 30 September 2009 were derived from the sales of sofas, respectively.

During the Track Record Period, we sold a total of approximately 184,400, 253,900, 288,100 and 188,800 sofa sets, respectively. The average selling prices for each sofa set during the Track Record Period ranged from HK$4,100 to HK$7,200, HK$5,000 to HK$7,500, HK$5,500 to HK$9,400 and HK$5,700 to HK$10,500, respectively.

Mattresses and bedding accessories

We design, manufacture and sell a range of mattresses through the Famous Bedding Group, which became part of our Group on 7 December 2009 pursuant to the Reorganisation, under our "Enlanda" or "Enlanda 愛蒙" brand names. We also sell bed frames and bedding accessories such as bed nets and bedside cupboards which are either designed by us and manufactured by original equipment manufacturers or OEMs who are approved by our procurement department or sourced from third parties. Our mattresses and bedding accessories are targeted at the middle and high price point consumers. During the Track Record Period, the retail prices for mattresses and bedding accessories in the PRC and Hong Kong ranged from approximately HK$2,390 (for bedding accessories) to HK$120,270 (for a high-end mattress).

Wood-based furniture

We have a line of other furniture products such as display cabinets, tables and chairs which are sold under our "LAND" brand name at our Morewell retail stores in Hong Kong. We generally design our other furniture and have it manufactured by our approved OEMs in the PRC. We also source furniture from third parties. Our "LAND" products are targeted at the middle price point consumers in Hong Kong. During the Track Record Period, the retail prices for such furniture ranged from approximately HK$300 (for a chair) to HK$23,300 (for a television cabinet).

SALES AND DISTRIBUTION

We employ a twin-pronged strategy with respect to the sales of our products: prominent retail presence in the PRC and Hong Kong and direct exports. Our customers comprise primarily (i) customers who purchase our products at our self-operated "Cheers" and "Enlanda" specialty stores in the PRC and "Cheers" and Morewell retail stores in Hong Kong, (ii) distributors who operate stores in the PRC using our "Cheers" or "Enlanda" brand names and (iii) retailers in overseas markets (which excludes Hong Kong) who sell our products in their stores to end customers. Approximately 1% of our sales revenue is attributable to wholesalers in Hong Kong and the U.S. for the six months ended 30 September 2009.

The following table sets forth a breakdown of the number of our self-operated specialty stores, specialty stores operated by PRC distributors and retailers in overseas markets by region over the Track Record Period:

	As at 31 March			As at 30 September	As at the Latest Practicable Date
	2007	2008	2009	2009	Date
Self-operated specialty stores					
PRC					
"Cheers"	23	37	44	71	74
"Enlanda"	16	25	33	36	43
Hong Kong					
"Cheers"	–	–	–	1	1
"Morewell"	7	7	7	6	6
Total	46	69	84	114	124
Specialty stores operated by PRC distributors(1)					
"Cheers"	131	176	221	225	222
"Enlanda"	35	96	142	164	170
Total	166	272	363	389	392
Overseas retailers(2)					
United States	124	182	227	276	291
Canada	34	52	69	72	75
Europe(3)	167	227	258	282	292
Others(4)	113	159	189	204	212
Total	438	620	743	834	870

Notes:

(1) Over 90% of our PRC distributors operate between one to two "Cheers" and/or "Enlanda" specialty stores. The remaining PRC distributors operate three or more "Cheers" and/or "Enlanda" specialty stores each.

(2) Includes a small number of wholesalers in the United States and Hong Kong.

(3) Includes countries such as the U.K., Spain, Poland, Bulgaria, Sweden, Germany, France, Ireland, Croatia and Portugal.

(4) Includes the Middle East, Australia, New Zealand, India, Malaysia and Indonesia.

Self-operated specialty stores

As at the Latest Practicable Date, we operated 74 of our "Cheers" specialty stores and 43 "Enlanda" specialty stores in major cities in over 20 provinces such as Shenzhen, Guangzhou, Shanghai and Beijing and all of our "Cheers" and Morewell retail stores in Hong Kong. During the Track Record Period, 11.5%, 18.3%, 18.5% and 15.8% of our revenues were attributable to sales from our self-operated stores, respectively. The average amount of sales per sq. m. for our "Cheers" specialty stores during the Track Record Period was HK$627, HK$9,505, HK$9,811 and HK$3,514, respectively, and those for our "Enlanda" specialty stores over the same periods was HK$1,162, HK$3,975, HK$11,815 and HK$7,013, respectively. We intend to increase the number of our self-operated "Cheers" and "Enlanda" specialty stores in selected locations to capitalise on the growing middle-class and increased urbanisation in the PRC, starting with Northeast China, and additional Morewell retail stores in Hong Kong.

Stores operated by our distributors

We currently sell our products to distributors who operate a total of 392 "Cheers" and/or "Enlanda" specialty stores in the PRC. These stores are set up in locations approved by us and our distributors are required to exclusively sell our products in these stores. We usually do not allow distributors to operate in cities or provinces where we have our self-operated stores. Our distributors operate "Cheers" and "Enlanda" specialty stores in major cities in over 20 provinces in the PRC including Beijing, Xiamen, Qingdao, Nanjing, Kunming and Tianjin. During the Track Record Period, 15.2%, 11.5%, 12.0% and 13.2% of our revenues were attributable to sales from stores operated by our PRC distributors, respectively.

Location of Stores in the PRC

Our distributors

Our relationships with our distributors is governed by a standard form distribution agreement which we review annually. In order to create a unified brand image, our distributors have to comply with criteria and guidelines we set in relation to, among other things, store design and layout, service standards, advertising content and selling prices. Our distributors are required to operate in locations which we approve and use our brand names strictly in accordance with the terms set out in the distribution agreement. Our distributors are selected based on factors such as their reputation, relevant experience, credit worthiness and integrity.

We use the following measures to monitor our distributors' performance and compliance with the terms of our distribution agreements:

- *Monitoring sales performance*

  We only deliver products to our distributors upon full receipt of payment. Our distributors are also required to exclusively sell our products in their stores and are given monthly and annual sales targets with no sales return policy. We also review the volumes of our distributors' orders with us every month and our sales teams communicate with them on a weekly basis to obtain information relating to the movement of products and level of inventory. If we anticipate or consider there to be any performance issue, we will meet with the distributors to raise our concerns as soon as practicable.

- *Monitoring pricing compliance*

  Our distributors are required to comply with our pricing guidelines. While it is possible that individual distributors price products below our recommended prices to increase their sales volumes, such activity would only lead to margin erosion for them as the prices of the products they purchase from us are fixed. Furthermore, we believe it is unlikely that lowering of prices by individual distributors would result in region-wide price decline as sofa products are bulky and expensive to transport, eroding any potential arbitrage activities between sales regions.

- *Monitoring exclusivity compliance*

  We have found branded store displays and products to be effective tools to enforce exclusivity. All sofas sold to our distributors are branded with our "Cheers" brand and the stores themselves are decorated with the "Cheers" logo. We believe that, given these circumstances, it is unlikely that distributors would venture to sell products of another brand in a "Cheers" branded store.

In addition to the above, we also conduct random visits to the stores operated by our distributors at least once a year and conduct trainings to ensure that they are operating stores in accordance with the terms of our distributorship agreements.

Our Directors confirm that they are not aware of any material breach of the terms of the distribution agreements by us or any of our distributors during the Track Record Period and that none of our distribution agreements were terminated prior to their expiry date.

Exports sales

Prior to and during the Track Record Period, we shifted our focus in our U.S. markets away from wholesalers to leading retailers. During the Track Record Period, sales to wholesalers amounted to HK$78.0 million, HK$49.2 million, HK$10.7 million and HK$2.3 million, respectively, representing approximately 38.6%, 9.5%, 1.4% and 0.3% of our total sales in the U.S., respectively. Our focus on exporting directly to retailers has allowed us to increase our customer base and reduce costs by cutting down on commissions paid to the wholesalers. The retailers we sell to are usually chain store operators with multiple stores in various states across the U.S. unlike wholesalers who typically service a smaller customer base. This has allowed us to increase revenues as retailers generally place larger orders than wholesalers. Dealing directly with retailers also puts us in a better position to build up and maintain relationships and customer loyalty with the retailers as we are able to anticipate their demands and respond more quickly to their needs compared to having to deal with a middleman. To the best of the knowledge of our Directors, we have not had any disputes with any wholesalers.

The table below shows the number of, and our sales to, wholesalers and retailers in the U.S. over the Track Record Period:

	For the year ended 31 March									For the six months ended 30 September		
Sales in U.S. to	2007			2008			2009			2009		
	No.	HK$'m	%	No.	HK$'m	%	No.	HK$'m	%	No.	HK$'m	%
Wholesalers	4	78	38.6	3	49	9.5	3	11	1.4	2	2	0.3
Retailers	120	124	61.4	179	465	90.5	224	766	98.6	275	641	99.7
Total	124	202	100	182	514	100	227	777	100	277	643	100

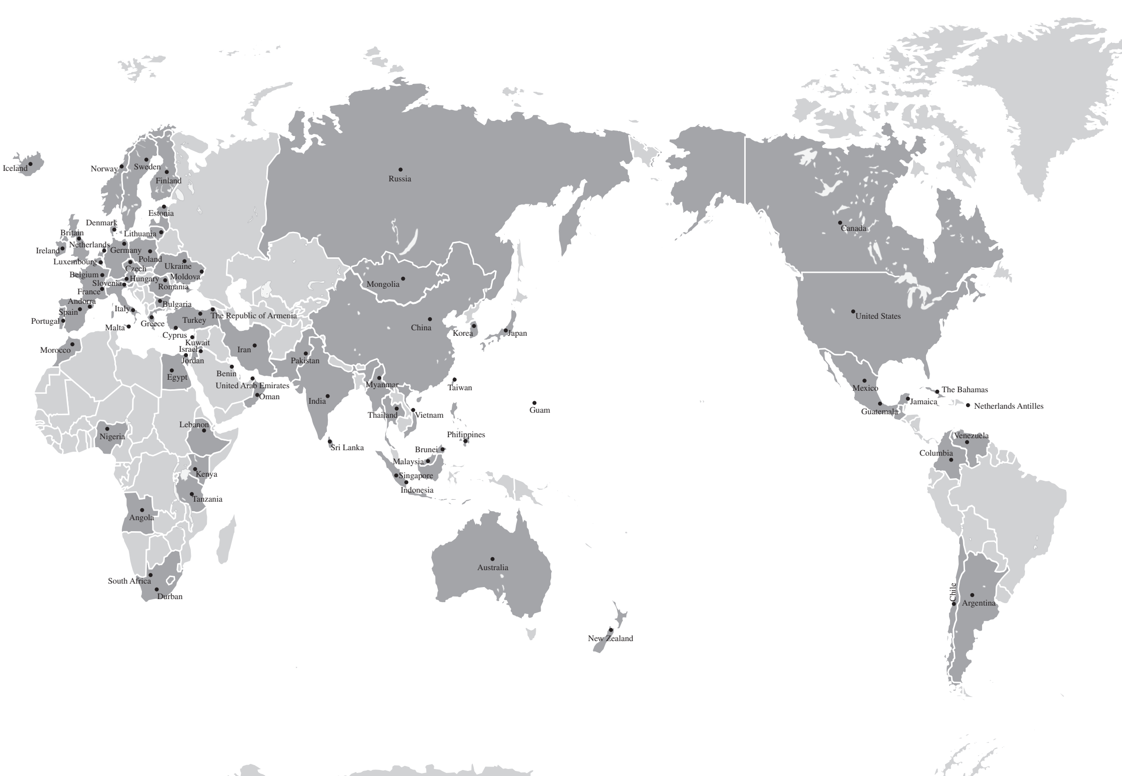
Most of our "Cheers" products that we export are sold to overseas retailers with the U.S. and Europe being our key export markets. Over 50% of these retailers have been our customers for more than three years. Our export customers in the U.S. are primarily large furniture retailers such as American Signature Inc. and include 30 of the top 100 largest U.S. furniture retailers (as ranked by "Furniture Today"). American Signature Inc. is a mid-priced to high-end chain. It operates over 125 stores in 19 states across the U.S., largely in the mid-west and East Coast states under the names "Value City Furniture" and "American Signature Furniture". During the Track Record Period, the U.S. accounted for 22.8%, 33.3%, 39.6% and 48.5% of our revenues, respectively.

The following table sets forth the average price range of the number and sales volumes of the sofa sets sold to retailers in the U.S. for the six months ended 30 September 2009:

Price Range (US$)	Approximate number of sofa sets	%	Approximate volume of sales (US$)	%
0-600	17,000	17.6	8,900,000	11.0
601-900	31,000	32.0	23,500,000	28.7
901-1200	46,000	47.4	45,700,000	55.8
1201 and above	3,000	3.0	3,700,000	4.5

Our export customers in Europe are primarily large and mid-sized furniture retailers such as Steinhoff International Holdings Ltd, a company listed in Johannesburg whose principal activities are manufacturing, warehousing, retailing and distributing household goods in Europe, Southern Africa and the Pacific Rim, and to a lesser extent, independent retailers with smaller networks. Europe accounted for 23.7%, 20.6%, 17.8% and 12.9% of our revenues during the Track Record Period, respectively. During the Track Record Period, approximately 17.4%, 10.9%, 9.4% and 12.0% of our revenues, respectively, were derived from our existing products which were exported and sold under our retailer' brands. We do not custom design any of our products for any of our customers.

The map below shows the countries to which we export our products.



The following summarises the key differences between the arrangements we have with our PRC distributors and our retailers in overseas markets:

	PRC distributors	Overseas retailers
Product knowledge training	Mandatory training by our staff at our facilities	Training typically conducted in-house by retailers sometimes using videos and other materials provided by us
Exclusivity	Required to sell exclusively our products at their stores	Sales at stores not restricted only to our products *i.e.* non-exclusive
Pricing	Required to follow recommended prices set by us	No restrictions on selling prices
Discounts/Rebates	Not typically granted; occasionally granted 5% discount or less upon approval, on a case-by-case basis, by Mr. Wong, our Chairman, Managing Director and Executive Director and Mr. Li Jianhong, our Executive Director and Vice President of PRC Sales and Operations, based on factors such as the number of specialty stores operated by the distributor or total size of orders and credit record with the Company.	
Sales targets	Monthly and annual sales targets specified	No specified sales targets
Sales return policy	None	None
Payment terms	Payment before delivery	100% invoice value to be paid upon receipt of original shipping document

	PRC distributors	Overseas retailers
Transportation arrangement	Distributors are typically responsible for transportation fees and related insurance	For products exported to certain of our retailers in the U.S., we are responsible for arranging transportation and paying for freight and related insurance. For products exported to our other retailers in the U.S. and all retailers in other countries, our retailers are responsible for arranging their own transportation and paying for freight and related insurance.
Customs arrangement	N/A	We are responsible for export customs clearance in the PRC while our retailers are responsible for import customs clearance in their respective countries.
Sales/Credit terms	None. On cash basis.	Varies from customer to customer. Generally by way of cash payment, payment of deposits upon placing order with the balance to be paid upon receipt of copies of shipping documents, payment upon receipt of copies of shipping documents, letters of credit or credit terms of between 30 to 90 days if covered by trade insurance.
Revenue recognition	Sale of goods are recognised when goods are delivered and title has passed (*i.e.*, upon delivery to the customers)	

The following table sets forth a geographic breakdown of our sales during the Track Record Period:

	For the financial year ended 31 March						For the six months ended 30 September	
	2007		2008		2009		2009	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
United States	201,674	22.8	514,213	33.3	777,410	39.6	643,958	48.5
Canada	114,976	13.0	121,608	7.9	113,810	5.8	66,698	5.0
PRC and Hong Kong								
Direct customers	101,995	11.5	281,689	18.3	363,140	18.5	210,242	15.8
Distributors	134,114	15.2	178,257	11.5	235,886	12.0	173,492	13.2
Europe(1)	209,662	23.7	317,699	20.6	348,614	17.8	171,559	12.9
Others(2)	122,449	13.8	129,623	8.4	124,977	6.4	60,697	4.6
Total	884,870	100.0	1,543,089	100.0	1,963,837	100.0	1,326,646	100.0

Notes:

(1) Includes countries such as the U.K., Spain, Poland, Bulgaria, Sweden, Germany, France, Ireland, Croatia and Portugal.

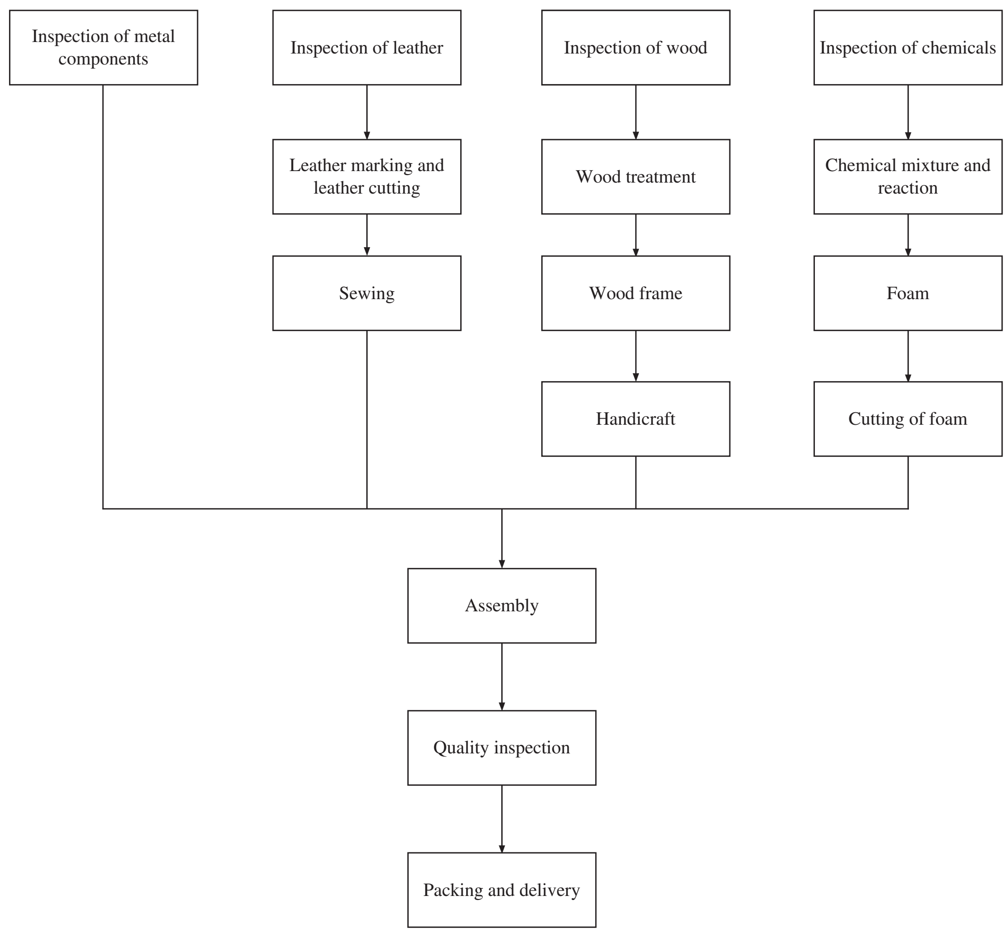
(2) Includes the Middle East, Australia, New Zealand, India, Malaysia and Indonesia.

Sales to overseas customers increased year on year during the Track Record period due to factors such as an overall increase in the number of customers and higher volumes and higher value sales order from new and existing overseas customers. The increase in revenue from retail and wholesales in the PRC was attributable to increases in the number of self-operated specialty stores and distributor stores as well as increases in same store sales over the Track Record Period.

For the Track Record Period, sales to our single largest customer accounted for approximately 7.1%, 6.0%, 6.3% and 6.9% of our revenues, respectively, and sales to our top five customers together accounted for approximately 25.6%, 22.8%, 25.3% and 28.8% of our revenues, respectively. All our distributors and retailers are Independent Third Parties and none of our Directors, their associates or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued share capital, had any interest in any of our top five customers.

PRODUCTION PROCESS

Our sofa production process is set out in the diagram below:



Leather components

Inspection of leather. The production of leather components begins with an inspection of the treated leather and PVC leather that we purchase. The treated leather we purchase is usually fully treated meaning that it comes with the colour and coating already completed. As such, no further treatment is required by us. All the leather we purchase is subject to general visual and manual inspections. Random selections of leather are then sent to third party laboratories for testing to ensure that the leather conforms to our specifications and quality standards. Following the publication of the DMF Directive as further described in the section entitled "Regulations – Consumer Protection and Product Safety Laws in the U.K.", we have informed all our leather suppliers that certain substances, such as DMF, are banned or restricted from being used in products exported into Europe. We also specifically instruct our leather suppliers to ensure that the leather supplied to us does not contain, or contains only permitted levels of, such restricted substances, including DMF. We require our suppliers to provide us with certificates or other evidence that the leather provided to us complies with these restrictions.

We also conduct tests on the leather at our production facilities to determine the following:

- light fastness – the propensity of the leather to fade under exposure to light;
- tensile strength – the maximum stress the leather can withstand before it tears; and
- abrasion resistance – how resistant the leather is to continual abrasion.

Please refer to the section entitled "Quality Assurance" below for details of our quality control system in respect of our suppliers and raw materials.

Leather marking and cutting. After passing the inspections and tests, the leather is marked for cutting, which involves drawing the different sizes and shapes on the leather for cutting. This is done manually or by a marking machine. The objective of marking is to ensure that the desired size is marked out as accurately as possible to ensure the optimal use of the leather. The marking machine is able to compute faster and more accurately the optimal use of each piece of leather thereby minimising the waste of leather in our production process. Manual marking is required in cases where the original leather has uneven shades caused during the leather dyeing process. In some cases, manual marking is also used where matching of the natural grain is required such as for higher end sofas. In such cases, manual marking will be conducted by our staff using stencils to draw the desired shape and size on the leather for cutting. After the leather has been marked it is then cut into the desired shapes and sizes. The leather is cut by a cutting machine when it is marked by a marking machine. In cases where the leather is marked manually, it is also cut manually.

Sewing. After the leather has been cut into the required shapes and sizes, the various pieces are then sewn together using sewing machines. Some of these sewing machines are aided by computers which facilitate a faster sewing process. We have more than 1,000 "Duerkopp Adler" industrial sewing machines imported from Germany in our sofa production facility at Huizhou, Daya Bay. These industrial sewing machines are commonly used for sewing automobile upholstery and produce stronger seams with greater precision and speed compared to conventional sewing machines.

Foam

Inspection of chemicals. We purchase the chemicals used in processing foam mainly from chemical companies in the U.S., Australia and Hong Kong. Upon arrival at our production facilities, the chemicals are inspected to confirm that they are of the correct specification and quantity. The chemicals are then stored underground in stainless steel containers before being mixed.

Mixing. Next, the chemicals are mixed in a reactor machine. After the chemicals have been thoroughly mixed, foam will be created. We are able to adjust the mixture of the chemicals to produce foam of different densities and properties. We are also able to produce fire resistant foam of varying degrees from the mixing process in accordance with the requirements of our customers. Our foam is colour coded based on the different densities and properties of the foam which allows us to easily identify the type of foam to be used for different parts and designs of our sofas.

Cutting. After the foam is mixed and created, it is then cut into the desired shapes and sizes for the various parts of the sofa. The foam is cut using manually-operated machinery or, for more complex shapes, computer-controlled machinery.

Metal components

We purchase metal components mainly from suppliers in the PRC, such as Leggett & Platt (Huizhou) Co. Ltd. These components are mainly used for the frames and power mechanisms in our Recliner Sofas.

Wooden frames

Inspection of wood. We purchase our wood mainly from Argentina. All our wood is subject to general visual and manual inspections by our staff.

Wood treatment. After inspection, our wood is treated using high pressure steam in our production facility to ensure that the wood is pest free and sterilised. The treatment process, which takes approximately 40 hours, also enhances the firmness and durability of the wood.

Wooden frame. After treatment is complete, the wood is sawn into the desired shapes and sizes either manually or using machinery. We use various machines for this process including an automatic, computerised saw that cuts wood into pre-set lengths while simultaneously eliminating defective portions. We also use computerised wood cutting machines which are customised to cut wood into our specified shapes while simpler shapes are cut manually. Our computerised equipment allows us to cut pieces with greater precision and with the least possible waste. After cutting, the wood is then processed to provide a consistent finish before being nailed together to form wooden frames. Greater precision in cutting allows each piece of wood to be fitted more tightly together to produce stronger and sturdier frames.

Handicraft. After the wooden frames are constructed, we add handicraft to the wooden frames of certain styles of sofas so as to enhance their design. This process involves crafting designs using carpentry tools or applying various types of handicraft through the use of adhesives onto our sofas.

Assembly

After the leather is sewn, foam properly cut and wooden frames completed, they are then assembled with mechanical or other functional features to produce Recliner Sofas.

Quality inspection

The next stage of production involves the inspection of the sofas for quality assurance. This process is described in detail in the section entitled "Quality Assurance" below.

Packing and delivery

The sofas that meet our quality control requirements are packed with protective plastic covers and stored in our warehouse for delivery to our retail stores and customers. For export sales, sofas are transported by trucks to ports in Shenzhen where they are subsequently shipped to the desired destinations.

QUALITY ASSURANCE

We believe that our established quality control system is an important factor which contributes to our success. We place a high emphasis on the quality of our products and are committed to providing our customers with reliable and competitively priced products that are of a high quality. As at the Latest Practicable Date, we had a team of over 100 quality assurance personnel with the relevant technical expertise to supervise and ensure that our quality control procedures are strictly adhered to for all our products at every stage of our manufacturing process at each of our production facilities. Our quality assurance procedures include the following:

Use of approved suppliers

Our quality assurance process begins with ensuring that we use quality raw materials. Accordingly, the performance of our suppliers is critical. We screen all suppliers thoroughly and only use suppliers approved by our procurement department for our raw materials. We select suppliers based on the quality of raw materials that they supply as well as their experience, management and reputation in the market. We constantly monitor the quality and performance of our suppliers and we review our list of approved suppliers regularly. We usually obtain samples from our suppliers before proceeding to order full consignments for our production requirements. The samples we receive from our suppliers must meet our quality standards before we proceed to place any order with that supplier. In addition to inspecting samples from our suppliers, we also conduct regular visits to our suppliers' factories to ensure that their quality control procedures meet our requirements. We also compile quality evaluation reports in respect of each of our suppliers.

We also evaluate the OEMs to whom we outsource production for our "LAND" brand of furniture and other items primarily used to complement our range of products based on the quality of their prototypes. We also ensure that they have the requisite production capability and track records to produce products which meet our quality standards in Hong Kong.

Inspection of incoming raw materials

We conduct manual and visual inspections and, where appropriate, tests both in-house and with third party laboratories on incoming raw materials to ensure that these materials meet the agreed specifications and our quality control standards. If defects are found, we are entitled to reject the products and request that our suppliers replace the materials.

Inspection during production process

In-process quality assurance measures are implemented throughout the production process to ensure that defective semi-completed products will not proceed to the next stage of the production process. The section leader at each stage of production will perform visual checks and our quality assurance team will conduct checks on semi-finished and finished products. Any items which do not pass the quality checks will either be discarded or reprocessed depending on the type and severity of the defect.

Final inspection

We conduct a final inspection on all our products to assess product safety, structural integrity and conformity with design and colour specifications to ensure that the products meet the requirements of our customers. Some of our customers also station their staff at our production facilities to conduct inspections on the finished products to ensure that they comply with their requirements. We also conduct a final visual inspection on our products for any defects before packing and delivering them to our specialty stores or customers.

As a result of our commitment to quality assurance, we have very minimal rejection rates for our products. During the Track Record Period, our rejection rates were less than 1% of our total sales. Further, we have not faced any material cancellations of orders from our customers during the Track Record Period.

In addition to the above, our leather sofas are also subject to, and have passed, the regular tests conducted by third party laboratories for, among others, the presence of DMF or di-methyl fumarate, a chemical used to protect leather furniture from mould, compliance with the fire safety requirements under the U.K. regulations and the quality requirements under the PRC regulations.

RAW MATERIALS

The primary raw materials we use in the production of our Recliner Sofas are leather, metal, wood and foam. We obtain our supply of treated leather from countries such as Italy, the PRC and Brazil and PVC leather from the PRC. We source our wood primarily from Argentina and our metal components are manufactured by suppliers located mainly in the PRC. We manufacture our own foam in our production facilities in Shenzhen and Huizhou, Daya Bay.

Our purchase arrangements with our raw material suppliers are predominantly by way of purchase orders, based on our on-going requirements. We have established close relationships with a number of suppliers to ensure a steady supply of key raw materials while maintaining multiple sources of supply for each major raw material item in order to obtain competitive prices. In view of the large number of suppliers in the market for our key raw materials, we do not anticipate any difficulties in locating alternate suppliers if necessary. We have not experienced any significant difficulties in sourcing raw materials nor have we ever experienced any interruption in our supply of raw materials.

We source our raw materials through our procurement department which selects suppliers who are able to meet frequent and rapid changes in demand for materials and who can meet our quality requirements. Our procurement team maintains a comprehensive database of all our sourcing information to monitor, control and verify purchase prices, terms of purchase contracts and the service quality of suppliers, in order to help us optimise our raw material sourcing and minimise costs. During the Track Record Period, the costs of raw materials consumed amounted to approximately HK$610.4 million, HK$965.4 million, HK$1.1 billion and HK$683.3 million, accounting for approximately 94.1%, 91.9%, 89.9% and 87.9% of our total costs of goods sold, respectively.

During the Track Record Period, purchases from our single largest supplier accounted for approximately 11.0%, 15.6%, 10.3% and 17.4% of our total purchases, respectively and purchases from our top five suppliers together accounted for approximately 42.2%, 38.1%, 36.5% and 46.1% of our total purchases, respectively. Our five largest suppliers during the Track Record Period were mainly suppliers of treated leather, metal components and chemicals. All our suppliers are Independent Third Parties and none of our Directors, their associates nor any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of our top five suppliers. As at the Latest Practicable Date, we were not dependent on any single supplier for the supply of any particular raw material.

INVENTORY MANAGEMENT

Our products are generally made to order and we do not maintain substantial inventory of finished products at our production facilities. Our inventory at our production facilities comprises primarily raw materials and semi-finished products. The finished products displayed in our self-operated specialty stores and those in transit are also accounted for as inventory.

We have adopted the following measures with respect to our raw materials inventory to ensure that we are able to respond to orders quickly to meet our customers' needs:

- We purchase and store the main components for the production of our products such as leather, wood, chemicals for the foam, metal components and accessories at our production facilities in Shenzhen and Huizhou, Daya Bay.

- We conduct a physical review of our raw materials inventory on a monthly basis to ensure that our records are accurate and updated.

- Our procurement department regularly reviews and assesses the sources of supply and prices of raw materials. This allows us to monitor our costs of production as well as to ensure that the quality of our raw materials meets our requirements as well as applicable standards set by the relevant governmental and regulatory bodies.

We usually purchase our raw materials based on historical sales amounts and the anticipated demand for our products and maintain an inventory of raw materials of about two to three months of our production requirements. We store leather and other raw materials that have a long useful life with proper storage to ensure that we can manufacture and supply our products to our specialty stores and customers on short notice. Our inventory raw materials turnover days for the Track Record Period were approximately as follows:

	For the financial year ended 31 March			For the six months ended 30 September
	2007	2008	2009	2009
Inventory turnover in days	75	73	65	56

We review the ageing of our raw materials inventory on a regular basis. Where raw materials inventory has been held for more than one year, we will usually sell products that are produced using such materials at a lower price through our self-operated specialty stores.

Our stock provision policy for the finished products at our self-operated specialty stores is to make 50% general provision for slow-moving and obsolete finished products held more than 180 days and 100% general provision for slow-moving and obsolete finished products held for more than 365 days. We will also make specific provision for slow-moving and obsolete finished products where appropriate. Our provision for slow moving and obsolete finished products for the Track Record Period was approximately as follows:

	For the financial year ended 31 March			For the six months ended 30 September
	2007	2008	2009	2009
Provision/(Reversal) for obsolete stock (HK$'000)	–	–	–	1,723

MARKETING

Brand awareness and recognition of our brands are critical to our success. We design and market our products as high quality affordable luxury products targeting middle and high price point consumers. We conduct our sales and marketing activities through a variety of channels, such as media marketing campaigns, through our sales and marketing staff and participation in trade exhibitions. We have also started a sports sponsorship programme with a PRC badminton team, of which Lin Dan (林丹), the 2008 Olympic badminton gold medallist, is a member.

Brand building

We are committed to offering high quality luxury products at affordable prices. Our emphasis on product quality combined with our effective marketing strategy has helped us to develop our brand names "Cheers" or "芝華仕" to represent high quality affordable luxury products both in the PRC and overseas. Our "Cheers" brand has received numerous accolades including the prestigious "China Top Brand (中國名牌產品)" award presented by the State General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) in September 2007.

We believe we have attained a critical mass in terms of the size of our retail network in the PRC and are now well positioned to benefit from economies of scale in advertising. We have an image design and development team of approximately 50 staff dedicated to building brand awareness and the image and branding of our products and stores. In addition, we have engaged Ogilvy & Mather to help refine our brand strategy and improve our brand positioning with a view to further increasing recognition of our "Cheers" brand in the PRC.

Trade exhibitions

We regularly participate in various trade exhibitions to promote our sofas and other products and to secure new customers. Participation in trade exhibitions is our primary mode of marketing to our existing and potential overseas retailers. We believe it provides us with vital customer exposure which we would not be able to achieve solely through media marketing campaigns and is a key contributing factor to our success in the overseas furniture market. Since 2006, we have been a regular participant at the Cologne trade exhibition in Germany, the High Point Market in North Carolina and the Las Vegas Market. The trade exhibition in Cologne, Germany is held in January every year, the Las Vegas Market in February every year and the High Point Market (which, according to Furniture Today, is the world's largest furniture exhibition) is held every April and October. Based on publicly available information, the High Point Market attracts more than 85,000 international visitors every six months and the Las Vegas Market showcases more than 1,500 manufacturers. In the PRC, the main exhibitions that we regularly participate in include the International Famous Furniture Exhibition by International Furniture & Decoration (Hong Kong) Association that has been held in the PRC in cities such as Dongguan. Such trade exhibitions generally attract large numbers of international sourcing companies, furniture importers and retailers and allow us to market our products on a global scale to a large number of potential customers. We have subsequently established business relationships with many potential customers that we initially met at these trade exhibitions. We maintain permanent showrooms at the Las Vegas Market and High Point Market which ensures that we maintain regular and consistent presence at these trade exhibitions and helps us to build up relationships with retailers who are regular visitors to these exhibitions.

Media marketing campaigns

We use a variety of measures to increase our brand awareness in the PRC, including advertising regularly in newspapers and magazines and, to a lesser extent, on billboards and the radio. In the PRC and Hong Kong, we advertise regularly in newspapers such as Headline Daily, Metro Daily, Apple Daily and Oriental Daily News and magazines such as Pace Interior Beaute, Shanghai Home Decor, Myhome Magazine and Modern Home. We also advertise in Furniture Today, a trade publication based in the U.S. In Hong Kong we also advertise on banners in various MTR stations and in the PRC we recently started advertising on television.

Sales and marketing staff

As at the Latest Practicable Date, our sales and marketing team consists of 601 professional and experienced sales and marketing representatives. We maintain strong relationships with our customers through our sales and marketing representatives. Our sales and marketing staff hold regular meetings with new and existing customers to secure new orders for our products, keep our customers informed of our product offerings and obtain feedback from our customers. These regular meetings also enable us to increase our understanding of our customers' needs and market changes, and we leverage these relationships to promote new products and increase sales. Aside from managing our day-to-day sales and marketing activities, our marketing team also develops general marketing and promotional plans.

As at the Latest Practicable Date, our sales and marketing staff were divided into several groups and their responsibilities and functions are set forth in the table below:

Sales and marketing groups	Responsibilities and functions	Headed by our Executive Director/ Executive Officer	No. of staff as at the Latest Practicable Date
Retail sales and marketing (Hong Kong)	Sales and marketing of our products at our Morewell retail stores	Ms. Hui Wai Hing	41
Retail sales and marketing (PRC)	Sales and marketing of our products at our "Cheers" specialty stores in the PRC and sales of mattresses and bedding accessories to specialty stores in the PRC	Mr. Li Jianhong	531
North America sales and marketing (North America)	Sales and marketing of our "Cheers" sofas to North America	Mr. Stephen Allen Barr	19
International sales and marketing (Other overseas markets)	Export sales	Mr. Chan Chi Cheung	10

Our sales and marketing representatives cover all the cities in the PRC where we have "Cheers" and "Enlanda" specialty stores so that they are close to specific customer groups and are able to respond promptly to customer needs in an efficient and cost-effective manner.

Five of our North America marketing team members are based in the U.S. Each member of our North American marketing team manages a specific territory with most of the major accounts being handled personally by Mr. Stephen Allen Barr. In addition to these managers, we also engage the services of independent agents, who work on a commission basis, to assist our marketing managers. Our sales efforts in North America are primarily targeted at larger retailers in the U.S. with the capacity for high volumes of orders. In addition to regular marketing calls, we maintain close relationships with our customers with physical visits to each key customer at least once a month. The trade exhibitions in North Carolina and Las Vegas are also key forums at which our sales and marketing staff market our products to customers in North America.

Our international sales and marketing team is responsible for export sales to all our overseas markets except North America. Each team member manages a specific territory, in some cases, with the support of local contacts or agents. We have two dedicated sales managers for our customers in Europe. These sales managers make regular trips to Europe, spending two to three weeks each month visiting customers to market our products and maintain relationships.

PRODUCT DESIGN, RESEARCH AND DEVELOPMENT

We design and develop all the furniture that we sell and our success depends in part on our ability to appropriately and continuously address our customers' needs with respect to cost, quality and design. We strive to offer our customers a broad range of products with a wide variety of features at affordable prices. We believe that our strong product design and development capability gives us a competitive edge. Our product design, research and development team is responsible for designing and developing new Recliner Sofas and is essential to our ability to continue to develop new and innovative products to meet our customers' needs. Our product design and development team obtains its ideas through, among others:

- frequent discussions with, and feedback from, our sales and marketing team which keeps abreast of the current market trends;
- our research and development team which is constantly focused on finding innovative ways to improve our products; and
- market surveys and participation in trade exhibitions.

With the aid of software programmes, our product design and development team typically designs and develops between 100 to 150 new sofa models every year. Our research and development team is responsible for finding new and innovative ways to enhance and improve the design and functionality of our existing products. During the Track Record Period, we spent approximately HK$1.8 million, HK$2.2 million, HK$5.2 million and HK$3.1 million, respectively, on research and development. Our new product designs are produced and displayed at the trade exhibitions to gauge customer reaction and demand. We also regularly roll out enhanced versions of existing products throughout the year. Before we begin production of a new product for customers, we usually produce a prototype that is tested by our quality control team for conformity with the design specifications and a variety of industry and safety standards. Once the prototype has been approved, a trial production run is conducted and the finished product and the production process are reviewed, and if necessary, revised to ensure a high quality affordable luxury product.

As of 30 September 2009, our product design, research and development team comprised 67 full-time staff, including two designers from Italy, with an average experience of six years in their respective fields. Over 30% of our product design, research and development team has at least undergraduate degrees.

INTELLECTUAL PROPERTY

We rely on various intellectual property laws and contractual restrictions, such as those in our distribution agreements, to protect our proprietary rights. We manufacture and sell our sofas, mattresses and bedding accessories and other furniture under our "Cheers" and/or "芝華仕", "Enlanda" or "Enlanda 愛蒙" and "LAND" brands, respectively and have registered these brands for the relevant categories. As at the Latest Practicable Date, we had (i) registered 1 trademark in U.K., 1 trademark in the U.S., 1 trademark in Canada, 1 trademark in the European Union, 1 trademark in Australia, 33 trademarks in the PRC, 5 trademarks in Hong Kong, 85 designs in the PRC and 24 designs in Hong Kong, 6 utility model patents in the PRC and (ii) had applied for the registration of 1 trademark in Hong Kong and 23 trademarks in the PRC. Please refer to the section entitled "Intellectual Property Rights" in Appendix VI to this prospectus for further details of our registered trademarks, designs and utility models. We have been advised by our PRC legal advisers that the time required for completion of the registration procedures cannot be ascertained as it depends on the progress of the examination and approval procedures of the PRC Trademark Office. According to our PRC legal advisers, the PRC Trademark Office will examine whether the subject trademarks are distinctive and distinguishable and whether they are in conflict with any prior right acquired by another person.

We are also trying to register our "芝華仕" trademark for use in various other categories in the PRC, including leather, textile, bed cover, advertising and industrial operation, but Chivas Brothers (Americas) Limited (芝華士兄弟(美洲)有限公司) has objected claiming that this trademark is substantially similar to one of their marks. This may result in us not being entitled to the same protections with respect to use of "芝華仕" for other purposes and may also restrict us from entering into other lines of business using this mark. However, we currently have no intention to expand our business to these other categories and our current business and operations have not been adversely impacted by the trademark objections.

In relation to the pending applications for the registration of our patents in the PRC, according to our PRC legal advisers, the time required for completion of the registration procedures cannot be ascertained as it depends on the progress of the examination and approval procedures of the PRC Intellectual Property Office. Our PRC legal advisers have also advised us that the subject designs must not be identical with or similar to any design which, before the date of filing, has been publicly disclosed in the PRC or abroad or has been publicly used in the country, and must not be in conflict with any prior right of any other person.

As at the Latest Practicable Date, we had also registered 16 domain names including the following:

- enlanda.com
- manwahgroup.com
- manwahholdings.com
- morewellfurniture.com

Please refer to the section entitled "Further Information about the Business – Intellectual Property Rights" for further details of our registered domain names.

In addition, our furniture designs are generally protected under copyright laws in countries where we operate that are parties to the Berne Convention for the Protection of Literary and Artistic Works and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) (1994) of the World Trade Organisation. In countries where design registration protection is available, copyright protection is not available to those designs that are registered.

Save for the trademarks, registered designs and domain names disclosed in this prospectus, our business and profitability is not materially dependent on any trademark, registered design, patent or other intellectual property.

During the Track Record Period and up to the Latest Practicable Date, our Directors confirmed that they were not aware of (i) any infringement of intellectual property rights by us; (ii) any dispute or litigation regarding any intellectual property rights between us and any third party; and (iii) any infringement of our intellectual property rights by any third party.

AWARDS AND CERTIFICATIONS

We differentiate ourselves from our competitors through our high quality affordable luxury products and branding. Over the years, we have been granted or accredited with a number of awards and certifications in recognition of our industry standing and product quality. The table below sets forth some of the major awards and certifications granted to our Group during the Track Record Period:

Month/Year of grant	Award/Certification	Awarding body/association
September 2008	Asia's Top 200 "Best Under A Billion" Small and Midsize Enterprises (銷售額在十億以內的亞洲中小企業200強)	Forbes Asia[(1)]
February 2008	"Best Unit for Creation of Branded Products" (創名牌產品先進單位)	Guangdong Province Furniture Association (廣東省家具協會)[(2)]
September 2007	"China Top Brand" (中國名牌產品)	The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家品質監督檢驗檢疫總局)[(3)]
August 2007	"Original Sofa Design" (軟體系列創意獎)	Organising Committee of International Famous Furniture Fair (Dongguan, China) 國際名傢俱(東莞)展覽會組委會
March 2007	Silver award for "Good Sofa Design" (軟體系列銀獎)	Organising Committee of International Famous Furniture Fair (Dongguan, China) 國際名傢俱(東莞)展覽會組委會

Notes:

(1) Every year, Forbes Asia presents a list of Asia's 200 best enterprises selected from over 20,000 listed companies in Asia with annual revenue under US$1 billion. The list is then featured in Forbes Asia's "Best Under a Billion" issue. The criteria for the award include positive earnings growth during the past five years and a pre-tax margin of at least 5% in the latest financial year.

(2) The Guangdong Province Furniture Association (廣東省家具協會) is an organisation registered with the Department of Civil Affairs of Guangdong Province (廣東省民政廳) and is under the supervision of the Department of Civil Affairs of Guangdong Province (廣東省民政廳) and the Guangdong Federation of Industry and Commerce (廣東省工商業聯合會). It has over 200 members including industry participants involved in furniture design and decoration, furniture manufacturers and raw material suppliers.

(3) The General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家質量監督檢驗檢疫總局) is a ministerial level department under the PRC State Council that is in charge of, among other matters, national quality, commodity inspection and health, animal and plant quarantines.

COMPETITION

The furniture industry is highly competitive and fragmented. The elements of competition include cost, quality, design, strength of brand, functionality, production capacity, speed of delivery and marketing. Given our extensive sales and retail network and product offerings, we face a number of competitors, including:

- furniture manufacturers and retailers based in the PRC;
- U.S. or European wholesalers and manufacturers, some of whom may source their products or component parts from overseas suppliers or have relationships or alliances with other foreign manufacturers; and
- manufacturers, primarily those based in Asia, who market their products to our target markets.

In the PRC cities where we operate, we consider Zhejiang Kuka Sofa Manufacturer Co., Ltd. ("Kuka") and Zuo You Furniture Co., Ltd ("Zuo You") as the main competitors of our "Cheers" range of products. Based on information available on the company's website and other publicly available information as at the Latest Practicable Date, Kuka is a PRC-based upholstered sofa manufacturer which sells its products domestically through its retail stores and also exports to countries around the world. It has approximately 1,000 of its own brand of stores in the PRC as well as in countries such as the Netherlands, Bulgaria, Russia and Vietnam. It has two factories which produce an aggregate of over 3,000 containers of furniture a month. Zuo You is a PRC manufacturer of leather sofas and claims to be one of the leaders in the PRC market. It has an annual production capacity of approximately 200,000 sets and exports a large portion of its products to the U.S., Europe and Asia.

With respect to our overseas business, we view international Recliner Sofa manufacturers and exporters such as HTL Corporation Limited ("HTL"), La-Z-Boy Inc. ("La-Z-Boy") and Natuzzi S.p.A ("Natuzzi") as our main competitors. Based on publicly available information as at the Latest Practicable Date, HTL is a Singapore-listed leather tanner and manufacturer of leather upholstery with seven manufacturing facilities across Asia. It exports over 95% of its production to over 30 countries across four continents. La-Z-Boy and Natuzzi are listed on the New York Stock Exchange. La-Z-Boy, a manufacturer of reclining chairs and upholstered furniture, sells its products primarily throughout the U.S. and Canada. It owns over 60 stand-alone furniture stores and has agreements with independent dealers of over 250 stand-alone stores. Natuzzi is an Italy-based company primarily engaged in the design, manufacture and marketing of leather and fabric-upholstered furniture and living room accessories. Natuzzi sells its furniture in over 100 stores in Italy. Outside of Italy, Natuzzi sells its furniture principally on a wholesale basis through over 190 stores and 15 concessions in the U.K. and Ireland.

With respect to our Morewell retail stores in Hong Kong we consider IKEA, G.O.D. Ltd. ("G.O.D."), Giormani Arredamenti Co. Ltd ("Giormani") and Ulferts of Sweden (Far East) Ltd. ("Ulferts") as our main competitors. Based on information available on the company's website and other publicly available information as at the Latest Practicable Date, IKEA is one of the largest furniture retailers in the world, selling furniture and other household items through its retail network comprising over 300 stores in over 35 countries. G.O.D is a Hong Kong based "lifestyle concept" retailer currently operating six retail stores in Hong Kong. Its range of products include furniture, household and lighting products. Giormani and Ulferts are Hong Kong based companies. Giormani exports sofas to countries such as the U.S., Australia, the PRC and Europe and has a retail network of 12 stores in Hong Kong. Ulferts' products include furniture sourced from Europe and Southeast Asia and mattresses. It currently operates eight stores in Hong Kong and Macau.

None of our Directors, their associates or any Shareholder who, to the knowledge of our Directors, owns more than 5% of our issued share capital, had any interest in any of the above competitors.

CREDIT POLICY

We usually require deposits of between 10% to 100% of the order value from our customers in the PRC and Hong Kong and only deliver the products upon receipt of payment in full. We generally extend credit of between 30 to 90 days to our overseas customers but these are usually either covered by credit insurance or factoring arrangements. All credit terms and limits for each customer must be reviewed and are generally approved by our Managing Director, Mr. Wong Man Li. The amount of deposit, credit terms and limit for each customer is based on factors such as our assessment of the customer's financial position, past collection history, volume of sales and the customers' business performance.

We make specific provisions for bad and doubtful debts on a case-by-case basis based on the likelihood of recovery of a particular debt, the credit standing of the customer and the customer's response to our follow-up on the outstanding debt. A provision will also be made if we institute legal proceedings to recover a debt. In addition, we make general provisions amounting to 50% for doubtful debts on trade balances more than 180 days and 100% if the trade balances are overdue by more than 365 days. Our bad debt expense for the Track Record Period was HK$0.0 million, HK$0.8 million, HK$3.6 million and HK$1.2 million, respectively.

PROPERTIES AND FACILITIES

We own the premises on which our production facilities are located and lease the premises on which all our self-operated specialty stores are located. Please refer to the Property Valuation Report in Appendix IV to this prospectus for further details of our properties.

Sofa production facilities

We own our sofa production facility located at Man Wah Industrial Zone, No. 189 Industrial District, Henggang Town, Longgang, Shenzhen, PRC. We have duly obtained the land use rights and building ownership certificates for the production facility comprising three factories and two dormitories set out as item 5 under "Group III – Property interest held by the Group for owner occupation in the PRC" in Appendix IV to this prospectus. This production facility has a GFA of approximately 27,892 sq.m. and a land area of approximately 14,500 sq.m. and comprises several buildings housing machinery and assembly lines required for the production of sofas, our showroom, office and administrative functions, as well as warehouses and dormitories. This production facility has the capacity to manufacture approximately 50,000 sofa sets per annum.

We also own our sofa production facility located in Huizhou, Daya Bay Economic and Technological Development Zone, PRC. We have duly obtained the land use rights and building ownership certificates for this production facility which comprises 13 factories and five dormitories as set out as item 4 under "Group III – Property interest held by the Group for owner occupation in the PRC" in Appendix IV to this prospectus. This newly completed production facility has a GFA of approximately 276,075 sq.m. and a land area of approximately 259,000 sq.m. of which approximately 85% is occupied. We intend to use the remaining 15% of available vacant land to expand our production facilities in the future by building additional production lines and warehouses. This production facility comprises a flatted factory and a five storey facility which have been integrated to better streamline our operations and is equipped with high performance production equipment such as automatic computerised cut-off saws that cut wood into pre-set lengths while simultaneously eliminating defective portions. This automated system is much quicker and considerably less dangerous than manual cutting, and is capable of calculating the best combination of lengths from our cutting lists thus optimising output. We also use industrial sewing machines commonly used for sewing automobile upholstery in this facility. Industrial sewing machines generally produce stronger seams with greater precision and speed compared to conventional sewing machines. We believe our investment in technology increases our production capacity, reduces manual error and maximises yields. We have more than 50 suppliers from whom we purchase our production equipment and we are not reliant on any single supplier for the supply of any of our equipment.

This production facility has the capacity to manufacture approximately 516,000 sofa sets per annum, an increase of 313,000 sets from 203,000 sets for the financial year ended 31 March 2007. This increased capacity has provided us with additional flexibility in dealing with customer orders and the ability to shift our customer base from wholesalers to larger and more established retailers who tend to place larger orders with us.

Our production facilities in Shenzhen are primarily dedicated to the production of sofas for our customers in the PRC while the production facility in Huizhou, Daya Bay is primarily used to produce sofas for our overseas customers.

Mattress and bedding accessory production facility

We lease a mattress and bedding production facility at 79 Henggang Road, Henggang Town, Longgang, Shenzhen from Mr. Wong's associate. This production facility has a gross floor and land area of approximately 11,982 sq.m. The lease is for a period of one year, expiring on 3 February 2011 and based on advice from Jingtian & Gongcheng, our PRC legal advisers, has been properly registered with the relevant authorities. Under the lease agreement, the lessor will not be able to lease the facility to a third party without first offering us the opportunity to renew our lease on terms no less favourable than those offered by that third party. Please refer to the section entitled "Connected Transactions" for further details of this lease.

The utilisation rates for our production facilities for the Track Record Period are as follows:

	For the financial year ended 31 March			For the six months ended 30 September
	2007	2008	2009	2009
	(number of sets(1)/units)	(number of sets(1)/units)	(number of sets(1)/units)	(number of sets(1)/units)
Sofa Production Facilities				
Approximate annual production capacity	203,000	500,000	500,000	516,000
Utilisation rates(2)	90.8%	50.7%	57.6%	73.2%
Mattress and Bedding Production Facilities				
Approximate annual production capacity	29,400	42,800	42,800	60,000
Utilisation rates(2)	71.4%	68.9%	74.4%	69.8%

Notes:

(1) A set in respect of sofas comprises a three-seater, a two-seater and a one-seater.

(2) The utilisation rates were calculated based on the actual production volume of each facility for each year divided by the approximate annual production capacity of each facility.

Offices

We purchased the property set out as item 3 under "Group III – Property interest held by the Group for owner occupation in the PRC" in the Appendix IV to this prospectus from a third party for use as one of our offices. We have also duly obtained the building ownership certificates for this office unit.

Properties for investment

We have duly obtained the land use rights and building ownership certificates for the property as set out under "Group II – Property interest held by the Group for investment in the PRC" in Appendix IV to this prospectus. Such property comprises a factory and 32 units on the second to fifth floors of a dormitory and is leased to a tenant for a term expiring on 31 December 2012.

Properties for future development

We entered into a land grant contract with the Wujiang Land and Resources Bureau, Jiangsu Province (江蘇省吳江市國土資源局) on 20 December 2008 in respect of the land use rights for the property as set out under "Group IV – Property interest held by the Group for future development in the PRC" in the Appendix IV to this prospectus. We had fully paid the premium for the land under the land grant contract on 27 November 2009. As advised by Jingtian & Gongcheng, our PRC legal adviser, such land grant contract is valid, legal and enforceable under the PRC law and there is no substantial legal impediment to us obtaining the land use right for such property.

Leased properties for self-operated specialty stores

As of the Latest Practicable Date, we had entered into 117 lease agreements in respect of our self-operated specialty stores in the PRC. As of the date of Latest Practicable Date, we had only registered 21 of these lease agreements with the relevant authorities. We will continue to apply for the registration of the remaining lease agreements with relevant authorities. However, we cannot assure you that all remaining lease agreements will be duly registered. Our PRC legal adviser, Jingtian & Gongcheng, has advised us that (a) these leases are lawful, valid and legally binding on the parties to these leases given the lessors have right to let the properties; (b) the parties should register these leases with local administrative authority; and (c) failure to register these leases will not affect the validity of these lease agreements but may result in us not being able to continue to lease the properties in the event of disputes with a bona fide third party with a validly registered lease. Our PRC legal advisers, Jingtian & Gongcheng, have further advised us that no administrative penalty or punishment will be imposed on us for such non-registration. Our Directors believe that the properties without validly registered leases are not material to our operations as all of these properties are used for retail purposes and our Directors believe that it will not be inconvenient for us to find similar property for relocation, if necessary, and that the estimated costs of any such relocation will be approximately HK$5,000 per store. Accordingly, our Directors believe that any disruption to our business as a result of having to relocate any of our specialty stores is likely to be transient and have minimal impact on our operations and profitability. Therefore, other than finding alternative premises if necessary, no remedial action will be taken by us.

INSURANCE

We maintain a number of general insurance policies which include employee compensation for the employees of Man Wah Industrial and Man Wah International, workmen compensation in respect of all our workers, product liability insurance for the products we sell to our customers overseas, fire insurance for our office located at Fotan, New Territories, Hong Kong and our production facilities at Huizhou and Shenzhen in respect of our assets such as plant and machinery, tools of trade, fixtures and fittings, office equipment and appliances, raw materials, semi-finished and finished products. We also maintain travel insurance for some of our key management members and loss of rent for some of our properties. We also maintain insurance for all of our self-operated specialty stores in respect of, among others, contents and equipment, business interruption, loss of money and personal accident and export credit insurance to protect us against the risk that our overseas customers become insolvent. Our Directors believe that our existing insurance policies are sufficient to cover the risks which we may be exposed to with regard to loss or damage caused by fire to our above mentioned assets and office, product liability claims and claims from our employees.

EMPLOYEES

As at the Latest Practicable Date, we had over 4,800 full-time employees, an increase of almost 2,000 employees since the start of the Track Record Period. Substantially all of our employees are in Hong Kong and the PRC. Approximately 10% of our employees are involved in “Product Promotion” which includes sales and marketing and image design and development. The employees of our PRC subsidiaries, save for those of Man Wah Furniture, are unionised while the employees of our subsidiaries in Hong Kong are not unionised. The relationship and cooperation between our management and employees have been good and are expected to remain strong in the future. There has not been any incidence of work stoppages or labour disputes which affected our operations.

Save for social security insurance and pension insurance in the PRC and the mandatory provident fund scheme in Hong Kong, we have not set aside or accrued any amount of money to provide for retirement or similar benefits for our employees.

The functional distribution of our employees as at the Latest Practicable Date was as follows:

Management	15
Administrative	251
Product Design, Research and Development	61
Finance and Accounting	74
Information Technology	11
Production	3,477
Purchasing	19
Product Promotion[(1)]	723
Quality Control	109
Warehousing and storage	145

Note:

(1) "Product Promotion" includes our sales and marketing and image design and development teams.

We review the performance of our employees annually, the results of which are used in their annual salary reviews and promotion appraisals. Key employees are considered for a monthly and annual bonus based on various performance criteria and their assessment results. We conduct research on remuneration packages offered for similar positions in our industry which we believe helps us remain competitive in the labour market. Our key employees are also entitled to participate in our employee share option scheme, details of which are more fully set out in Appendix VI to this prospectus.

TRAINING

We place great emphasis on the training and development of our staff. We provide internal and external training to our staff to ensure that they possess the requisite skills and expertise for the operations of our business. Our training programmes focus mainly on specific areas such as sales and marketing, quality control and production training. The training sessions are performed on a regular basis and are usually conducted in-house. The suppliers of our leather cutting machines and foam cutting machines also conduct training sessions for our staff whenever new versions of the software that is required to run the machines are released.

In addition, we also provide training for the sales staff of the retailers and distributors on the sales and marketing and after-sales aspects of our products to ensure that they have the requisite product knowledge to sell our products. We also regularly provide our retailers and distributors with the latest information on our products, market developments, changes in consumer preferences and demands and other industry news. These training sessions are typically conducted by our sales and marketing team through video conferences for our retailers outside the PRC or, in the case of our distributors in the PRC, at our production facilities in Huizhou, Daya Bay.

INTERNAL CONTROLS

Prior to 2009, our internal audit was outsourced to an Independent Third Party. Our internal audit department was set up in early 2009. We have also established procedures, systems and controls (including accounting and management systems) which we believe are adequate to assist us and our Directors in our obligations to comply with the Hong Kong Listing Rules and other regulatory requirements and which we believe are sufficient to enable our Directors to make a proper assessment of our operations, financial position and prospects. We have adopted policies on internal controls for our main business cycles, including those relating to purchasing, sales, treasury and accounting. Our audit committee oversees our internal controls system and the implementation of our internal control procedures and arrangements. These procedures, systems and controls currently include, among others:

- Formal policies and procedures to govern and monitor Directors' dealings in securities, distribution of annual and interim results, investor relations and corporate communications, purchasing, inventory, raw materials, collections, payables and inter-Group transactions to ensure compliance with relevant Hong Kong Listing Rules;
- Maintaining off-site storage to back-up information to reduce the risk of business disruptions in the event of natural or other disasters;
- Strong user and password policy to prevent unauthorised access to confidential data;
- Environmental controls such as smoke/fire detectors and mechanisms to monitor temperature and humidity to reduce the risk of fire causing damage to computer systems;
- Monthly reconciliation of key accounts balances; and
- Formal policies and procedures to govern budgeting, key sales processes and reporting.

ENVIRONMENTAL AND SAFETY REGULATIONS

We are subject to PRC national environmental laws and regulations and periodic inspection by local environmental protection authorities. Further details of these laws and regulations are set out in the section entitled "Regulations" in this prospectus. Due to the composition of our products, minimal levels of noise, industrial waste or other hazardous waste that violate the applicable environmental standards and measures in the PRC are produced.

Any waste materials resulting from the production process are sold to certain third parties such as waste treatment enterprises. We also regularly review our activities and operations to ensure compliance with the applicable environmental laws and regulations.

Our production facilities have undergone inspection and have been approved by the relevant environmental protection authorities. During the Track Record Period and up to the Latest Practicable Date, we have not been subject to any material fines or legal action involving non-compliance with any relevant environmental laws or regulations nor are the Directors aware of any threatened or pending action by any environmental regulatory authority.

During the Track Record Period, our expenditure for environmental compliance was approximately RMB271,000 (approximately HK$307,955), RMB218,000 (approximately HK$247,727), RMB5,600,000 (approximately HK$6,363,636) and RMB1,000,000 (approximately HK$1,136,364), respectively. The increase in expenditure for the financial year ended 31 March 2009 was primarily due to the construction of, and voluntary expenditure on waste water treatment and recycling and improvement of air quality at, our production facility in Huizhou. Going forward, we expect to incur approximately RMB2,000,000 (approximately HK$2,272,727) a year for environmental compliance. As our production facilities have not caused any material pollution to the environment in the past, the Directors believe that our operations will not be subject to any significant restrictions or measures with respect to environmental protection laws and regulations in the future and have therefore not formulated any detailed plans or set aside a budget to address potential future risks in relation to environmental matters.

We are also subject to PRC safety laws and regulations, which set out the legal standards for health and safety measures with which our operations must comply.

Further details of these laws and regulations are set out in the section entitled "Regulations" in this prospectus. To ensure compliance with these safety laws and regulations, we provide regular production safety training to all our employees to enhance their safety awareness. We also provide each employee with written notices and guidelines on production safety in relation to the operation of equipment and machinery. We also provide safety protection equipment and devices such as ear plugs, masks and gloves to ensure that our employees operate in a safe environment. The Directors confirm that during the Track Record Period, there were no material accidents during the production process. Our PRC legal adviser, Jingtian & Gongcheng, has confirmed that based on the confirmations issued by the competent environmental and safety regulatory authorities, we are in compliance with all relevant environmental and safety laws, rules and regulations.

PERMITS, LICENSES AND APPROVALS

As at the Latest Practicable Date, we had obtained all requisite permits, licenses and approvals for our business operations. Please refer to the section entitled "Regulations" for further information on permits, licenses and approvals applicable to our operations.

LEGAL PROCEEDINGS

In May 2008, Shenzhen Henggang Investment Joint Stock Limited Company (深圳市橫崗投資股份有限公司) ("Shenzhen Henggang Investment") filed a civil complaint in the People's Court of Longgang District, Shenzhen against Man Wah Industrial and Man Wah Rong claiming administrative fees and interests in amount of RMB1,170,000 (approximately HK$1,329,546) in relation to two parcels of land in No. 189 Industrial District in Shenzhen. These claims were based on two contracts entered into between Shenzhen Henggang Investment and Man Wah Industrial in 1997 and 1999, respectively for the transfer of land use rights. The said land use rights had been granted in respect of the two parcels of land by Shenzhen Land and Resources Bureau to Man Wah Industrial in 1998 and 2001, respectively. In November 2008, Shenzhen Henggang Investment withdrew its claim. However, Man Wah Industrial brought a cross action against Shenzhen Henggang Investment to declare the relevant contracts, which were upheld at first instance by the People's Court of Longgang District, invalid. The appeal was heard in November 2009 and we are still awaiting the results of the appeal.

In March 2009, the sofa design number #ZL 2007 3 0170517.6 which had been granted by the PRC Intellectual Property Office in favour of Man Wah Rong on 21 May 2008 was repealed by the Patent Re-examination Board at the request of the Dongguan Branch of Xiamen Kangcheng Healthy Houseware Co., Ltd. (厦門康城健康家居產品有限公司東莞分公司) ("Xiamen Kangcheng"). In May 2009, Man Wah Rong brought an administrative action in Beijing No. 1 Intermediate People's Court against the Patent Re-examination Board and Xiamen Kangcheng to declare the repeal of the said design number invalid and to deter other manufacturers from copying our designs. Our claim was supported at first instance by the Beijing No. 1 Intermediate People's Court. Xiamen Kangcheng filed an appeal with the Beijing High People's Court in January 2010. The appeal is pending hearing.

The Directors confirm that the abovementioned design is not material to our business as it is only one of the many sofa designs we have registered.

In April and September 2009, we were informed by an insurer of one of our retailers in the U.K. and their legal counsel that certain customers of the retailer were alleging that they had suffered adverse skin reactions/dermatitis as a result of using our sofa products (Model number #8365 and #8188). We were further informed that the insurer may recover against us any compensation that it will pay to these customers and these customers are in the process of quantifying their claims which include claims for damages for personal injuries and consequent losses and expenses, together with interest and legal costs. By way of summary, the following are examples of claims received in connection with this matter, namely, claims for personal injury relating to painful rashes, travel, medical expenses, loss of enjoyment of holiday and loss of earnings. In December 2009, legal counsel for the insurer informed us of a mediation between the insurer and the customers but did not provide any details or substantiation of the claims. We have not received any further correspondence relating to this matter since December 2009. During the Track Record Period, the total sales volumes and aggregate revenues for sofa model #8365 and #8188 were 1,366 sets and US$1,593,000 and 14,769 sets and US$13,348,000, respectively, with 1,175 sets (US$1,414,000) of #8365 and 10,184 sets (US$9,275,000) of #8188 sold to retailers in the U.K. As at the Latest Practicable Date, we were not aware of any legal proceedings having been served on us in respect of, and our business has not been materially and adversely affected by, these allegations. Based on legal advice obtained, our Directors believe that as our products do not contain DMF, the claims are without merit and we will take all necessary action to refute and defend the Company against these claims. As the claims have not been quantified and because the Directors believe they are without merit, the Company has not made any provisions for such claims. The Controlling Shareholders have provided us with an indemnity in respect of any claims arising in the U.K. where it is alleged and/or proven that persons who have purchased our products prior to the Listing Date suffered personal injury as a result of such products having contained DMF.

As at the Latest Practicable Date, we were not a party to any material arbitration, litigation or administrative proceedings which could be expected to have a material adverse effect on our business or results of operations. Save for the foregoing, we are not aware of any pending or threatened arbitration, litigation or administrative proceedings against us.

CONTROLLING SHAREHOLDERS

Immediately after completion of the Global Offering but assuming that the Over-allotment Option is not exercised, Mr. Wong and Man Wah Investments will be our Controlling Shareholders with an approximate shareholding interest of 61.7%.

Having considered the matters described above and due to our management, operational and financial independence and the non-competition undertaking, we believe that we are capable of carrying on our business independently of and without reliance on the Controlling Shareholders after Listing, as discussed below.

MANAGEMENT INDEPENDENCE

Our Board currently is comprised of six executive Directors, one non-executive Director and three independent non-executive Directors. One of our Controlling Shareholders, Mr. Wong, is an executive Director. Notwithstanding this, we consider that our Board will function independently from the Controlling Shareholders because:

(a) each Director is aware of his fiduciary duties as a Director, which require, among other things, that he acts for the benefit and in the best interests of our Company and does not allow any conflict between his duties as a Director and his personal interest;

(b) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Company and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions and shall not be counted in the quorum; and

(c) our Board comprises ten Directors and the remaining nine Directors, excluding Mr. Wong, represent more than three-quarters of the members of the Board.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders after the Global Offering.

OPERATIONAL INDEPENDENCE

Except as disclosed in the section entitled “Connected Transactions” in this prospectus, we have not entered into any connected transaction with the Controlling Shareholders that will continue after the Global Offering. We make business decisions independently and hold all relevant licenses necessary to carry on our business and have sufficient capital, equipment and employees to operate our business in the name of any member of the Group. In addition, our Directors consider that our operation does not depend on the Controlling Shareholders for the following reasons:

(a) we have our own operational structure made up of separate departments, such as R&D, manufacturing and sales and marketing, each with a specific area of responsibility. We have also established a set of internal control procedures to facilitate the effective operation of our business. We have independent access to suppliers of raw materials and have our own distribution, sales and marketing network;

(b) all the registered trademarks, designs and other intellectual property necessary or desirable for our business are registered in the name of or are in the process of being transferred to a member of our Group; and

(c) the leases we have entered into with Mr. Wong in respect of the premises referred to in the section entitled "Connected Transactions" in this prospectus represent only an office and warehouse in Hong Kong and the factory premises for our bedding manufacturing business. Should we have to relocate after the expiration of such leases, our Directors do not believe it will be difficult to secure alternative premises. More importantly, we manufacture sofas from our facilities in the PRC, which are owned by our Group.

FINANCIAL INDEPENDENCE

We have our own accounting systems, accounting and finance department, independent treasury function for cash receipts and payment and we make financial decision according to our own business needs. We do not rely on any guarantee provided by our Controlling Shareholders in respect of bank borrowings nor have we given any guarantee for the benefit of any of our Controlling Shareholders. Our Directors confirm that during the Track Record Period and as at the Latest Practicable Date, our Controlling Shareholders had not provided any guarantee to or for the benefit of our Company.

On the basis of the information provided in this section, we believe that we are capable of carrying on our business independently of the Controlling Shareholders and their respective associates.

NON-COMPETITION UNDERTAKING

Our Controlling Shareholders have confirmed that other than their interest in our Company, they do not and will not have any direct or indirect interest or engage in any company or enterprise, which directly or indirectly, competes or may compete with the principal business carried out by any member of our Group. In accordance with the Deed of Non-competition Undertaking, our Controlling Shareholders have individually and collectively and irrevocably undertaken with and warranted with our Company (for themselves and their respective subsidiaries) that, save and except for the exceptions as set out in paragraph (b) below, they shall, and shall procure their respective associates (other than our Group), during the period commencing from the Listing Date and ending on the occurrence of the earliest of (i) the date on which our Shares have been withdrawn from listing on the Hong Kong Stock Exchange; or (ii) the day on which our Controlling Shareholders and/or their respective associates, individually and/or collectively cease to be our Controlling Shareholders,

(a) not to:

(i) directly or indirectly, whether as principal or agent, solely or jointly with any other natural person, legal entity, enterprise or otherwise (and whether as a shareholder, partner, agent, employee or otherwise and whether for profit, reward or otherwise) operate, participate, invest, engage in, acquire or hold any business in any form or manner that is, directly or indirectly, in competition with or is likely to be in competition with the principal business activity of any member of our Group from time to time which, as at the date this prospectus, refers to the business of our Group as described in this prospectus (the "Restricted Activity") in the PRC, Hong Kong or any part of the world in which any member of our Group may from time to time operate;

(ii) directly or indirectly, solicit, interfere with or entice away from any member of our Group, any natural person, legal entity, enterprise or otherwise who, to any of our Controlling Shareholders' knowledge, as at the date of the Deed of Non-competition Undertaking, was or had been or will after the date of the Deed of Non-competition Undertaking, a customer, supplier, distributor or management, technical staff or employee (of managerial grade or more) of any member of our Group; and

(iii) exploit his or its knowledge or information obtained from our Group to compete, directly or indirectly, with the Restricted Activity carried on by our Group from time to time.

(b) the undertaking stated in paragraph (a) above will not apply as provided hereunder:

(i) our Controlling Shareholders and/or their respective associates are entitled to invest, participate and engage in any Restricted Activity in which any member of our Group has been first offered or given an opportunity to engage (regardless of the value), subject to prior disclosure of the major terms and information of the relevant business to our Company, and having been reviewed and approved by our independent non-executive Directors, we confirmed that we do not intend to operate, engage in or participate in the relevant Restricted Activity; and the major terms on investment, participation and engagement of any Restricted Activity by our Controlling Shareholders (or the relevant associates) shall be substantially the same or not more favourable than those disclosed to us. Subject to the above and if our Controlling Shareholders and/or their respective associates decide to directly or indirectly involve, engage in or participate in the relevant Restricted Activity, the terms of such involvement, engagement or participation shall be disclosed to us as soon as practicable, but in any event before any binding commitment is entered into by our Controlling Shareholders and/or their respective associates (as the case may be); and

(ii) sub-paragraph (a) above does not apply in relation to our Controlling Shareholders and their respective associates' holding of or interests in shares or other securities in a company that engages in the Restricted Activity and its shares are listed on a recognised stock exchange and provided that such Controlling Shareholder's individual or collective shareholding held by such Controlling Shareholder and his or its associates does not exceed 5% of the issued share capital of the company in question, and such Controlling Shareholder and his or its associates, whether acting singly or jointly, are not entitled to appoint a majority of the directors of that company and that at all times there should exist a shareholder of that company (together, where appropriate, with his or its associates) whose shareholdings in that company should be more than such Controlling Shareholder and his or its associates collectively hold.

(c) each of the provisions in sub-paragraph (b) above is a separate exception to sub-paragraph (a) above, available independently (except as expressly provided therein) of the availability of any other such exceptions.

SUMMARY OF OUR CONTINUING CONNECTED TRANSACTIONS

We have entered into the following agreements which will continue after the Listing Date and thus constitute continuing connected transactions for us under the Hong Kong Listing Rules. The table below gives a summary of these transactions:

Transaction	Connected relationship	Services provided	Duration of agreement	Annual amounts payable
Lease made on 4 February 2010 between National Mind Limited, as lessor, and Bedding SZ, as lessee	National Mind Limited is Mr. Wong's associate	Lease of factory premises at Room T2, 79 Hengping Road, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, PRC	One year commencing from 4 February 2010 to 3 February 2011 (both days inclusive) with an option to extend for another year	For the financial year ending 31 March 2010 RMB90,206 (approximately HK$102,507) From 1 April 2010 until the end of lease RMB481,666 (approximately HK$547,348)
Lease made on 3 February 2010 between National Mind Limited, as lessor, and Bedding SZ, as lessee	National Mind Limited is Mr. Wong's associate	Lease of factory premises at Room T1, 79 Hengping Road, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, PRC	One year commencing from 4 February 2010 to 3 February 2011 (both days inclusive) with an option to extend for another year	For the financial year ending 31 March 2010 RMB91,236 (approximately HK$103,677) From 1 April 2010 until the end of lease RMB487,164 (approximately HK$553,595)

Transaction	Connected relationship	Services provided	Duration of agreement	Annual amounts payable
Tenancy made on 29 October 2009 between Brightwood Management Limited, as landlord, and Man Wah International, as tenant	Brightwood Management Limited is Mr. Wong's associate	Lease of 1/F and certain car parking spaces at Wah Lai Industrial Centre, Nos. 10-14 Kwei Tei Street, Shatin, New Territories, Hong Kong	Three years commencing 1 August 2009 and expiring 31 July 2012 (both days inclusive) with an option to extend for another 3 years	For the financial years ending 31 March: 2010 HK$1,024,000 2011 HK$1,536,000 2012 HK$512,000
Tenancy made on 2 October 2009 between Brightwood Management Limited, as landlord, and Man Wah International, as tenant	Brightwood Management Limited is Mr. Wong's associate	Lease of Workshops 3 and 5, 10/F at Wah Lai Industrial Centre, Nos. 10-14 Kwei Tei Street, Shatin, New Territories, Hong Kong	Three years commencing 1 October 2009 and expiring 30 September 2012 (both days inclusive) with an option to extend for another 3 years	For the financial years ending 31 March: 2010 HK$134,400 2011 HK$268,800 2012 HK$134,400
Lease made on 18 August 2009 between National Mind Limited, as lessor, and Man Wah Furniture (SZ), as lessee	National Mind Limited is Mr. Wong's associate	Lease of factory premises at Room T3, 79 Hengping Road, Henggang Town, Longgang District, Shenzhen City, Guangdong Province, PRC	One year commencing from 18 August 2009 to 17 August 2010 (both days inclusive) with an option to extend for another year	For the financial year ending 31 March 2010 RMB250,136 (approximately HK$284,245) From 1 April 2010 until the end of lease RMB152,680 (approximately HK$173,500)

LEASES FROM BRIGHTWOOD MANAGEMENT LIMITED

The rental amounts referred to above in respect of each of the leases in Hong Kong from Brightwood Management Limited are exclusive of government rent, rates and management fees which are, ultimately, payable to Independent Third Parties. The term of each such lease is also subject to an option which is exerciseable by the lessee and if so exercised, the rental will be at a 13% discount from the then prevailing market rates. The exercise or decision not to exercise the option referred to herein will be subject to the compliance with the Hong Kong Listing Rules. Our Directors (including the independent non-executive Directors) are of the view that the leases from Brightwood Management Limited are on normal commercial terms or better and carried out in the ordinary and usual course of business.

Based on the percentage ratios applicable under Chapter 14A of the Hong Kong Listing Rules, the amounts payable under both leases from Brightwood Management Limited are less than 0.1%. Consequently, no further announcement or independent shareholder approval is required.

LEASE FROM NATIONAL MIND LIMITED

Our Directors (including the independent non-executive Directors) are of the view that each of the leases in the PRC with National Mind Limited is on normal commercial terms or better and carried out in the ordinary and usual course of business.

Based on the percentage ratios applicable under Chapter 14A of the Hong Kong Listing Rules, the amounts payable under the leases from National Mind Limited is less than 0.1%. Consequently, no further announcement or independent shareholder approval is required.

DIRECTORS

The Board consists of ten Directors, three of whom are independent non-executive Directors. The following table sets forth certain information relating to the Directors:

Name	Age	Group Position
Executive Directors		
Mr. Wong Man Li	45	Chairman, Managing Director and Executive Director
Ms. Hui Wai Hing	47	Executive Director and Vice President (General Administration and Retail Sales)
Mr. Li Jianhong	36	Executive Director and Vice President (PRC Sales and Operations)
Mr. Stephen Allen Barr	51	Executive Director and President of Man Wah USA
Mr. Yu Tung Wan	54	Executive Director
Mr. Francis Lee Fook Wah	44	Executive Director, Finance Director and Chief Financial Officer
Non-executive Director		
Mr. Ong Chor Wei	40	Non-executive Director
Independent non-executive Directors		
Mr. Lee Teck Leng, Robson	42	Independent non-executive Director
Ms. Chan Wah Man, Carman	41	Independent non-executive Director
Mr. Chau Shing Yim, David	46	Independent non-executive Director

Save as disclosed below, each of our Directors has not otherwise been a director of any listed companies in Hong Kong or overseas (apart from our Company) in the three years immediately preceding the date of this prospectus, and has not been involved in any of the events described under Rules 13.51(2)(h) to (v) of the Hong Kong Listing Rules. There are no other matters concerning each of their directorship with our Company that need to be brought to the attention of the Shareholders and the Hong Kong Stock Exchange and there are no other matters in connection with the Directors' appointment which shall be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

Executive Directors

Mr. Wong Man Li, aged 45, is our Chairman, Managing Director and our executive Director. He is responsible for the day-to-day overall management of our Company and mapping our growth strategy. Mr. Wong founded our Group in 1992 and has served as our Chairman, Managing Director and executive Director since 17 November 2004. He has over 15 years of experience in the furniture industry. Since 21 February 2005, Mr. Wong has been the Vice President of the General Council of the International Furniture and Decoration Industry (Hong Kong) Association (國際傢俬業裝飾(香港)協會). In December 2007, Mr. Wong was recognised as one of the "Top Ten Outstanding Youth Industrialists of Hong Kong" (香港十大傑出青年工業家) and was elected as a committee member of the "Hong Kong Youth

Industrialist Association" (香港青年工業家協會) in November 2008, Vice President of the 5th Council of Frontline Guangdong Huizhou Overseas Friendship Association (第五屆統戰部廣東惠州海外聯誼會) in January 2009 and a member of the 10th Committee of Huizhou Chinese People's Political Consultative Conference (惠州市第十屆政協委員) in February 2009. Mr. Wong is the husband of Ms. Hui Wai Hing, an executive Director.

Ms. Hui Wai Hing, aged 47, is our executive Director and Vice President (General Administration and Retail Sales). She is responsible for our general administration and retail sales functions in Hong Kong. She is the wife of Mr. Wong Man Li, our Chairman, Managing Director and executive Director. She joined our Group in 1992 and was appointed our Director on 17 November 2004. She has over 17 years of experience in the furniture industry, over 15 years of which is management experience in our Group.

Mr. Li Jianhong, aged 36, is our executive Director, Vice President of the PRC Sales and Operations and Chief Operating Officer. He is responsible for the overall management of our design, development and production departments and PRC sales. Mr. Li joined us in 2000 and was appointed our Director on 26 April 2005. Mr. Li holds a Bachelor of Economics (Accountancy) from the University of Xiamen (廈門大學) in the PRC, a distance learning degree in Executive Master of Business Administration from the Peking University (北京大學) in the PRC and is a fellow of the Institute of Certified Public Accountants of China.

Mr. Stephen Allen Barr, aged 51, is our executive Director and President of Man Wah USA. Mr. Barr is responsible for mapping our sales strategies in the U.S. through Man Wah USA. Mr. Barr joined us in 2006 and was appointed our executive Director on 5 March 2010. He has over 30 years of experience in the furniture industry having worked at Ashley Furniture Industries, Inc., Lackawanna Leather Corp. and Krause's Furniture Inc., in addition to having successfully established Leather Master USA. Prior to joining us, he was President of U.S. operations for HTL International Holdings Ltd, a Singapore-listed leather tanner and manufacturer of leather upholstery.

Mr. Yu Tung Wan, aged 54, is our executive Director. Mr. Yu is the general manager of the Famous Bedding Group. Mr. Yu was appointed as a non-executive Director on 26 April 2005 and was appointed an executive Director on 5 March 2010. He was an executive director of Famous Bedding from 2000 until it was integrated into our Group on 7 December 2009. Mr. Yu graduated from Shek Chun Bar High Level College (廣東省梅縣松口石泉壩中學) in Meizhou, Guangdong Province, PRC. He has approximately 10 years experience in the furniture industry. He started his career as an engineer with Men Sum Shipping Engineering Co. Ltd., a shipping engineering company in Hong Kong where he worked from 1977 to 1988.

Mr. Francis Lee Fook Wah, aged 44, is our executive Director, Finance Director and Chief Financial Officer. Mr. Lee oversees our accounting functions and is responsible for matters relating to our corporate regulatory compliance and reporting. He is also in charge of our Hong Kong and Macau subsidiaries. He joined us in 2005 as our Chief Financial Officer and was appointed as our executive Director and Finance Director on 8 November 2007. Mr. Lee holds a Bachelor Degree in Accountancy from The National University of Singapore and a distance learning degree in Masters in Business Administration (Investment and Finance) from The University of Hull. Mr. Lee is also a member of the Institute of Certified Public Accountants of Singapore. Mr. Lee has over 16 years of experience in the financial industry. In 2001, he joined the Credit & Marketing Department of the Bank of China Singapore Branch as an Assistant Manager. At Bank of China, he oversaw a team of six credit officers. He was also tasked with conducting credit evaluation and risk analysis on the financial performance and position of corporate customers. He joined AP Oil International Ltd in 2004 as an Investment & Project Manager, where he was involved in mergers and acquisitions and was also tasked with overseeing its overall credit policy.

Non-executive Director

Mr. Ong Chor Wei, aged 40, is our non-executive Director and was appointed on 5 March 2010. He is presently a director of UPB International Capital Ltd and Net Pacific Finance Holdings Ltd. He is also currently a non-executive director of Joyas International Holdings Ltd, Jets Technics International Holdings Ltd and K Plas Holdings Ltd, all of which are listed in Singapore. Mr. Ong is a director of various unlisted companies in Hong Kong and Singapore and has been a director of various listed companies in Hong Kong. He also served as a non-executive director of FM Holdings Ltd, a listed company in Singapore, between July 2009 to August 2009 due to his 10% shareholding interest in the company. He resigned as a director of FM Holdings Ltd after he disposed of all his shareholding interests in the company in August 2009. There was no disagreement between the board of directors of FM Holdings Ltd and Mr. Ong leading to his resignation. Mr. Ong has over 19 years of experience in finance and accounting. Mr. Ong holds a Bachelor of Laws degree from The London School of Economics and Political Science, University of London. He also holds a distance learning degree in Masters in Business Administration jointly awarded by The University of Wales and The University of Manchester. Mr. Ong is an associate member of The Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants.

Independent non-executive Directors

Mr. Lee Teck Leng, Robson, aged 42, was our independent non-executive Director from 26 April 2005 till our Delisting. He was re-appointed as our independent non-executive Director on 5 March 2010. Mr. Lee holds a Second Class Upper Honours Degree in Law from The National University of Singapore. Mr. Lee is currently a partner in the corporate finance and international finance practice of Shook Lin & Bok LLP and has been with the firm since 1994. Mr. Lee is also a partner in the firm's China practice, focusing on cross-border corporate transactions in the PRC. Mr. Lee is currently the chairman of the audit committee of Qian Hu Corporation Ltd, chairman of the respective remuneration committees of Sim Lian Group Ltd, Best World International Ltd and Matex International Ltd and chairman of the respective nominating committees of Serial System Ltd and Youcan Foods International Ltd, all of which are listed on the SGX-ST. In addition, Mr. Lee is a member of the audit committees of Sim Lian Group Ltd, Serial System Ltd, Youcan Foods International Ltd, Best World International Ltd and Matex International Ltd. Mr. Lee is also a Director of the Singapore Chinese High School, in the capacity of trustee of the land on which Hwa Chong Institution and Hwa Chong International School are situated. Mr. Lee was a director of Hwa Chong International School from 2004 to 2007 and a director of China Energy Ltd, a listed company in Singapore, from 2006 to 2008.

Ms. Chan Wah Man, Carman, aged 41, is our independent non-executive Director and was appointed on 5 March 2010. Ms. Chan holds a Bachelor's Degree in Science from Minnesota State University, Bemidji State, U.S. and a distance learning degree in Masters of Accounting from Curtin University of Technology, Australia. Ms. Chan possesses 16 years of solid experience in private equity, corporate finance and financial advisory. She worked as Associate Director at Rabobank International Hong Kong Branch, handling mergers and acquisitions and corporate advisory deals from February 2008 to April 2009. Prior to joining Rabobank, Ms. Chan worked in various companies in fund raising activities and assisted companies in the preparation of initial public offerings from January 2004 to January 2008. Ms. Chan worked as Associate Director in Baring Capital Partners, ING Group from March 1998 to August 2001 and Suez Asia (Hong Kong) Limited from January 2002 to December 2003, in private equity investments, corporate advisory and fund monitoring. Ms. Chan also worked for the corporate finance team at Seapower Financial Services Group from March 1996 to February 1998. Ms. Chan is a member of the Hong Kong Institute of Certified Public Accountants and a Certified Practising Accountant (Australia), and has a licence to conduct Type 6 regulated activity (advising on corporate finance) and Type 9 regulated activity (asset management) under the SFO.

Mr. Chau Shing Yim, David, aged 46, is our independent non-executive Director and was appointed on 5 March 2010. Mr. Chau has over 20 years of experience in corporate finance, working on projects ranging from initial public offerings to restructurings of PRC enterprises for cross-border and domestic takeovers. Prior to his retirement from Deloitte Touche Tohmatsu on 30 November 2007, Mr. Chau was a partner of Deloitte Touche Tohmatsu, heading the Mergers and Acquisitions and Corporate Finance Advisory business. He is a member of the Hong Kong Securities Institute, The Institute of Chartered Accountants in England and Wales where he was granted a Corporate Finance Qualification and the Hong Kong Society of Accountants (now the Hong Kong Institute of Certified Public Accountants) where he previously served as a member of the Disciplinary Panel. He has been an executive director of Tidetime Sun (Group) Ltd (stock code: 307) since 1 May 2008 and an independent non-executive director of Shandong Molong Petroleum Machinery Company Ltd (stock code: 568) since 8 January 2009, Lee & Man Paper Manufacturing Ltd (stock code: 2314) since 1 October 2008, Varitronix International Ltd (stock code: 710) since 1 July 2009 and Evergrande Real Estate Group Ltd (stock code: 3333) since 14 October 2009, all of which are listed on the Main Board of the Hong Kong Stock Exchange.

Directors' service contracts

Details of the proposed length of service of each of the Directors with the Company and the Directors' emoluments are set out in the paragraph entitled "Further Information about Directors, Management and Staff – Particulars of Service Agreements" in Appendix VI to this prospectus. The emoluments of each Director are determined by the Board with reference to his/her previous experience and prevailing market practices.

Disclosure of interests in Shares

Information regarding any interest held by our Directors in the Shares within the meaning of Part XV of the SFO is disclosed in the section entitled "Further Information about Directors and Substantial Shareholders – Interests and/or Short Position of our Directors in our Company's shares, underlying shares or debentures and our Company's associated corporation" in Appendix VI to this prospectus. Save as disclosed in this prospectus, each of our Directors does not have any other interest in our Shares within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Our senior management members are Mr. Wong Man Li, Ms. Hui Wai Hing, Mr. Li Jianhong, Mr. Stephen Allen Barr, Mr. Yu Tung Wan and Mr. Francis Lee Fook Wah, all of whom are also our executive Directors.

COMPANY SECRETARY

Mr. Yau Sze Yeung, CPA, aged 32, joined us in October 2009 as our financial controller and was appointed our Company Secretary on 7 December 2009. Mr. Yau holds a Bachelors Degree in Accountancy from City University of Hong Kong. Mr. Yau is a member of the Hong Kong Institute of Certified Public Accountants. He was formerly an audit manager of Deloitte Touche Tohmatsu.

DIRECTORS' AND SENIOR MANAGEMENT'S REMUNERATION

Compensation

The aggregate amount of compensation (including fees, salaries, contributions to pensions schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses) which were paid to our Directors for the Track Record Period were approximately HK$1.9 million, HK$3.1 million, HK$7.0 million and HK$2.9 million, respectively.

The aggregate amounts of compensation (including fees, salaries, contributions to pensions schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses) which were paid to our five highest paid individuals (including those of our subsidiaries) for the Track Record Period were approximately HK$2.4 million, HK$5.1 million, HK$10.0 million and HK$5.2 million, respectively.

We have not paid any remuneration to our Directors or the five highest paid individuals as an inducement to join or joining us or as a compensation for loss of office in respect of the Track Record Period. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been paid or are payable, in respect of the Track Record Period, by us or any of our subsidiaries to our Directors. We have paid an aggregate amount of approximately HK$14.9 million, including benefits and contributions to our Directors as remuneration.

Executive Directors

Each of the executive Directors entered into a service contract with the Company. The aggregate annual basic salary (excluding the bonus mentioned below) of all the executive Directors pursuant to each of their respective services contracts is approximately HK$9.6 million. The executive Directors' service contracts have a term of three years commencing from the Listing Date. The salary of each executive Director after each financial year is subject to adjustment as determined by our remuneration committee and approved by a majority of the members of the Board (excluding the Director whose salary is under review).

Each of the executive Directors may be entitled to a discretionary bonus based on performance.

Non-executive Director and independent non-executive Directors

The non-executive Director and each of the independent non-executive Directors have entered into a letter of appointment with the Company for a period of three years commencing from the Listing Date. Pursuant to the terms of the letters of appointment, the annual director's fee payable to each of them is HK$200,000 and none of them is entitled to any bonus.

STAFF

As at the Latest Practicable Date, we had over 4,800 full-time employees. Please refer to the section entitled "Business – Employees" for a breakdown of our employees by way their functional and regional distribution as at the Latest Practicable Date.

Our relationship with staff

We recognise the importance of a good relation with our employees. The remuneration payable to the employees includes salaries and allowances.

We have not experienced any significant problems with our employees or disruption to our operations due to labour disputes, nor have we experienced any difficulties in the recruitment and retention of experienced staff.

Social insurance and housing funds

Under the relevant PRC laws and regulations we are required to make contributions to Social Insurance Funds, including pension funds, medical insurance (including maternity insurance), unemployment insurance, work-related injury insurance and housing funds for our employees in the PRC. During the Track Record Period, our contributions to the various Social Insurance Funds for the Track Record Period amounted to approximately HK$0.7 million, HK$0.8 million, HK$1.3 million and HK$1.3 million, respectively. However, our experience is that there are different levels of acceptance of the housing fund system by our employees, differences in local regulations and inconsistent implementation or interpretation by local authorities in the PRC. Please refer to the section entitled "Risk Factors" for the risks relating to our housing fund contributions.

Save as disclosed above, we were in compliance with all relevant social security and housing provident fund laws and regulations throughout the Track Record Period.

Staff remuneration

We determine our staff's remuneration based on factors such as qualifications and years of experience. Our staff costs (including Directors' and senior management's emoluments) for the Track Record Period was approximately HK$70.6 million, HK$135.6 million, HK$188.7 million, and HK$124.5 million, respectively.

Our employees are also entitled to the Share Option Scheme, details of which are set out in the section entitled "Share Option Scheme" in Appendix VI in this prospectus. The Company is also considering establishing a share award scheme distinct from the Share Option Scheme whereby employees are awarded bonuses and part of such bonuses would be designated for the purpose of ultimately funding the purchase of Shares in the secondary market for such employees.

PRC labour contract law

PRC Labour Contract Law, which took effect on 1 January 2008, stipulates certain requirements in respect to human resources management including, among others things, signing labour contracts with employees, dissolving labour contracts, paying remuneration and economical compensation as well as the employee social insurance. In addition, PRC Labour Contract Law requires employers to provide remuneration packages which are not lower than the respective local minimum standards.

BOARD COMMITTEES

Audit Committee

We have an established audit committee in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. The primary duties of the audit committee are mainly to perform the following functions:

- review the audit plans of our external auditors;
- review external auditors' reports;
- review the cooperation given by our officers to the external auditors;
- review our financial statements before their submission to the Board;
- review and approve internal control procedures;
- review the adequacy of our internal controls;
- review the effectiveness of our internal audit function;
- review and approve arrangements for all interested person transactions;
- nominate external auditors for appointment; and
- review and ratify interested person transactions to ensure that they comply with the approved internal control procedures and have been conducted on an arm's length basis.

Apart from the duties listed above, the audit committee shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any applicable law, rule or regulation which has or is likely to have a material impact on our operating results and/or financial position. The audit committee has full access to and full co-operation of the management and the external auditors, the discretion to invite any executive Director to attend its meetings and the power to conduct and authorise investigations into any matters within its terms of reference. The audit committee meets with the external auditors separately, at least once a year, without the presence of the management to review any relevant matter. We adopted a whistle-blowing policy in May 2007. This policy provides an avenue for employees to raise concerns about possible malpractices of which they become aware and provides reassurance that they will be accorded adequate protection from reprisals, retaliation or victimisation from whistle-blowing in good faith.

At present, our audit committee consists of:

Name	Group position
Mr. Chau Shing Yim, David *(Chairman)*	Independent non-executive Director
Ms. Chan Wah Man, Carman	Independent non-executive Director
Mr. Lee Teck Leng, Robson	Independent non-executive Director
Mr. Ong Chor Wei	Non-executive Director

Nomination Committee

We have an established nomination committee in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. Our nomination committee is responsible for, *inter alia*, (i) re-nomination of the Directors having regard to the Directors' contribution and performance, (ii) determining on an annual basis whether or not a Director is independent and (iii) deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director. The nomination committee, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointments of new Directors. The nomination committee then nominates the most suitable candidate to be appointed to the Board.

At present, our nomination committee consists of:

Name	Group position
Mr. Wong Man Li *(Chairman)*	Chairman, Managing Director and Executive Director
Mr. Lee Teck Leng, Robson	Independent non-executive Director
Ms. Chan Wah Man, Carman	Independent non-executive Director
Mr. Chau Shing Yim, David	Independent non-executive Director

Remuneration Committee

We have an established remuneration committee in compliance with the Code of Corporate Governance Practices as set out in Appendix 14 to the Hong Kong Listing Rules. The function of the remuneration committee is to review the remuneration of the executive Directors and to provide a greater degree of objectivity and transparency in the setting of remuneration. The remuneration committee, in consultation with management, recommends to the Board a remuneration framework for the Directors and key executives, and determines specific remuneration packages for each executive Director and our Managing Director. The recommendations of the remuneration committee are then submitted for endorsement by the entire Board. All aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind are reviewed by our remuneration committee. The remuneration committee has access to expert professional advice on human resource matters whenever appropriate. In its deliberations, the remuneration committee takes into consideration industry practices and norms in compensation, in addition to the performance relative to the industry and the performance of the individual Directors. The respective remuneration of the non-executive Directors and the independent non-executive Directors are determined by his or her respective contribution, taking into account factors such as his or her effort and time spent as well as his responsibilities on the Board. No Director will be involved in deciding his own remuneration.

At present, our remuneration committee consists of:

Name	Group position
Mr. Lee Teck Leng, Robson *(Chairman)*	Independent non-executive Director
Mr. Wong Man Li	Executive Director
Ms. Chan Wah Man, Carman	Independent non-executive Director
Mr. Chau Shing Yim, David	Independent non-executive Director

COMPLIANCE ADVISER

We have appointed CIMB Securities (HK) Limited as our compliance advisor pursuant to Rule 3A.19 of the Hong Kong Listing Rules. The material terms of the compliance advisor's agreement that we entered into with the compliance advisor are as follows:

1. the compliance advisor's term of appointment shall be for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is the earlier;

2. the compliance advisor shall provide us with services including guidance and advice as to compliance with the requirement of the Hong Kong Listing Rules and other applicable laws, rules, codes and guidelines, and accompany us to any meetings with the Hong Kong Stock Exchange; and

3. we may terminate the appointment of the compliance advisor by giving a 14 business days' prior written notice to the compliance advisor. We will exercise such right in compliance with Rule 3A.26 of the Hong Kong Listing Rules. The compliance advisor will have the right to terminate its appointment as compliance advisor under certain specific circumstances and upon notification of the reason of its resignation to the Hong Kong Stock Exchange.

Pursuant to Rule 3A.23 of the Hong Kong Listing Rules, the compliance adviser will advise us on the following matters:

1. before the publication of any regulatory announcement, circular or financial report;

2. where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

3. where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where our business activities, developments or results deviated from any forecast, estimate, or other information in this prospectus; and

4. where the Hong Kong Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of our listed securities pursuant to Rule 13.10 of the Hong Kong Listing Rules.

SUBSTANTIAL SHAREHOLDERS

As far as our Directors and the chief executive of our Company are aware, immediately following completion of the Global Offering (without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme and which would affect disclosure in this section) the following persons will have an interest or a short position in our Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who are, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

Name	Number of shares held	Nature of interest	Approximate percentage of issued shares
Man Wah Investments	595,612,000	Beneficial owner	61.72%

Note: Man Wah Investments is owned by Mr. Wong and Mrs. Wong as to 80% and 20%, respectively, both of whom are our executive Directors.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the Global Offering, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company.

BEFORE THE GLOBAL OFFERING

As of the date of this prospectus, our authorised share capital is HK$500 million divided into 1.25 billion shares of nominal value of HK$0.40 each.

UPON COMPLETION OF THE GLOBAL OFFERING

Assuming the Over-allotment Option is not exercised, our share capital immediately following the Global Offering will be as follows:

Number of Shares		HK$	Approximate percentage of issued capital (%)
723,816,000 *(Note 1)*	Shares issued as of the date of this prospectus	289,526,400	75.00
241,272,000	Shares to be issued pursuant to the Global Offering	96,508,800	25.00
965,088,000	Total	386,035,200	100

Note:

(1) A total of 48,000,000 Shares issued to the Selling Shareholders will be offered for sale by the Selling Shareholders under the International Offering.

Assuming the Over-allotment Option is exercised in full, our share capital immediately following the Global Offering will be as follows:

Number of Shares		HK$	Approximate percentage of issued capital (%)
723,816,000 *(Note 1)*	Shares issued as of the date of this prospectus	289,526,400	72.29
277,462,800	Shares to be issued pursuant to the Global Offering	110,985,120	27.71
(Note 2) 1,001,278,800	Total	400,511,520	100

Notes:

(1) A total of 48,000,000 Shares issued as of the date of this prospectus to the Selling Shareholders will be offered for sale by the Selling Shareholders under the International Offering.

(2) The aggregate of 43,390,800 Shares to be offered under the Over-allotment Option comprises 36,190,800 additional Offer Shares (being equal to 15% of the new Shares initially to be offered by our Company under the Global Offering and before the exercise of the Over-allotment Option) and 7,200,000 additional Sale Shares to be sold by one of our Selling Shareholders, Mr. Li Chun Hui (being equal to 15% of the Sale Shares initially to be offered by the Selling Shareholders under the International Offering and before the exercise of the Over-allotment Option).

ASSUMPTION

The above table assumes that the Global Offering becomes unconditional and does not take into account exercise of any options granted or to be granted under the Share Option Scheme referred to in the paragraph headed "Share Option Scheme" below or which may be issued or repurchased pursuant to the General Mandate referred to in the paragraph headed "General Mandate to Issue Shares" below or the Repurchase Mandate referred to in the paragraph headed "General Mandate to Repurchase Shares" below, as the case may be.

RANKING

The Offer Shares and the Shares that may be issued pursuant to the Over-allotment Option rank *pari passu* with all existing Shares issued on the date of the allotment and issue of such shares, and in particular will be entitled to all dividends or other distributions declared, made or paid after the date of this prospectus.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme. For details of the Share Option Scheme, please refer to the section entitled "Share Option Scheme" in Appendix VI to this prospectus.

GENERAL MANDATE TO ISSUE SHARES

Assuming the Global Offering becomes unconditional, the Directors have been granted a general mandate to allot, issue and deal with Shares with an aggregate nominal value of not more than the sum of:

(a) 20% of the aggregate nominal value of our issued share capital immediately following completion of the Global Offering (excluding the Shares which may be issued under the Over-allotment Option and Shares which may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme); and

(b) the aggregate nominal value of our share capital repurchased by our Company (if any).

Such mandate will expire at the earliest of:

- at the conclusion of our next annual general meeting;
- at the end of the period within which our next annual general meeting is required to be held by our Bye-laws or applicable laws of Bermuda; and
- when revoked or varied by ordinary resolution of our Shareholders at a general meeting of our Company.

For further details of this general mandate, please refer to the paragraph entitled "Written resolutions of our Shareholders passed on 5 March 2010" in Appendix VI to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Assuming the Global Offering becomes unconditional, the Directors have been granted a general mandate to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of our issued share capital following the completion of the Global Offering (excluding the Shares which may be issued under the Over-allotment Option and Shares which may be allotted and issued upon the exercise of options to be granted under the Share Option Scheme).

This mandate only relates to repurchases made on the Hong Kong Stock Exchange or on any other stock exchange on which our Shares may be listed (and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose) and which are in accordance with all applicable laws and regulations. Such mandate will expire at the earliest of:

- at the conclusion of our next annual general meeting;
- at the end of the period within which our next annual general meeting is required to be held by our Bye-laws or applicable laws of Bermuda; and
- when revoked or varied by ordinary resolution of the Shareholders at a general meeting of our Company.

For further details of this general mandate, please refer to the paragraph entitled "Written resolutions of our Shareholders passed on 5 March 2010" in Appendix VI to this prospectus.

You should read the following discussion and analysis in conjunction with our consolidated financial information set forth in the Accountant's Report included as Appendix I to this prospectus, and our selected historical consolidated financial information and operating data and the notes thereto included elsewhere in this prospectus. Our consolidated financial information has been prepared in accordance with IFRS.

The following discussion and analysis contains certain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcome and developments will meet our expectations and predictions depend on a number of risks and uncertainties over which we do not have control. See "Risk Factors" and "Forward-looking Statements" in this prospectus.

OVERVIEW

We are principally engaged in the production and sales of Recliner Sofas, which we produce in the PRC and export to customers in overseas markets, such as the U.S. and Europe and sell domestically in the PRC. We focus on Recliner Sofas with features such as extending footrests and swivel functions that are marketed under our "Cheers" brand. We design and market our products as high quality affordable luxury products.

We are the market leader in terms of revenue in the PRC Recliner Sofa industry and the eighth largest player in the Recliner Sofa market in the U.S. in terms of revenue according to the Euromonitor 2009 Report.

We employ a twin-pronged strategy with respect to the sales of our products: prominent retail presence in the PRC and Hong Kong and direct exports. Our customers comprise primarily (i) customers who purchase our products at our self-operated "Cheers" and "Enlanda" specialty stores in the PRC and "Cheers" and Morewell retail stores in Hong Kong, (ii) distributors who operate stores in the PRC using our "Cheers" or "Enlanda" brand names and (iii) retailers in overseas markets (which excludes Hong Kong) who purchase our "Cheers" products for sale in their stores to end customers under our "Cheers" brand or their own brands. Approximately 1% of sales revenue are attributable to wholesalers in Hong Kong and the U.S. for the six months ended 30 September 2009.

We sell a wide range of Recliner Sofas to retailers in over 50 countries overseas with the U.S. and Europe being our strongest export markets. These retailers typically resell Recliner Sofas to end customers through their own retail network. In the U.S., we target middle-class consumers in suburban markets where houses tend to be larger and, accordingly, there is greater demand for furniture. We focus on providing high quality affordable luxury products that satisfy consumers' desires such as larger sectionals with one or more recliners or other features, sofas with bucket seats and home theatre sofa sets. Our customers in the U.S. include 30 of the top 100 largest U.S. furniture retailers (as ranked by the leading trade publication "Furniture Today") such as American Signature Inc. Our customers in Europe include retailers such as Steinhoff International Holdings Ltd. Our overseas customer base has grown from just two large furniture retailers in the U.S. in 2006 to over 500 retailers in the U.S., Canada and several countries in Europe at the end of 2009.

We sell Recliner Sofas in the PRC mainly through our own self-operated specialty retail stores and through stores operated by our distributors. In the PRC we target the middle and high price point consumers. We are focused on the fast growing domestic furniture and middle-class customer markets in the PRC. These customers are served by our extensive retail network which has grown from three "Cheers" specialty stores in Shanghai, Beijing and Shenzhen in 2002 to 296 "Cheers" specialty stores in major cities over 20 provinces throughout the PRC by the end of 2009.

Our "Cheers" brand has received numerous awards in the PRC including the prestigious "China Top Brand (中國名牌產品)" award presented by the State General Administration of Quality Supervision, Inspection and Quarantine of the PRC (中華人民共和國國家品質監督檢驗檢疫總局) in September 2007. In September 2008, we were also selected as one of "Asia's 200 Best under a Billion – Asia's Top 200 Small & Midsize Companies" by Forbes Asia.

In addition to Recliner Sofas, we also manufacture and sell non-reclining sofas, mattresses and bedding accessories, and design and sell other furniture under our "Cheers" or "芝華仕", "Enlanda" or "Enlanda 愛蒙" and "LAND" brands, respectively. Apart from our 296 "Cheers" specialty stores, we also have 213 "Enlanda" specialty stores in the PRC and one "Cheers" specialty store and six Morewell retail stores in Hong Kong where we sell our "Cheers", "芝華仕", "Enlanda" or "Enlanda 愛蒙" and "LAND" brand products. We also sell a small number of other third party brand products in our Morewell retail stores.

We have enjoyed steady growth in revenues and net profits over the last five years. Our revenues have grown from HK$884.9 million in the financial year ended 31 March 2007, to HK$1.96 billion for the financial year ended 31 March 2009 despite the extremely challenging economic climate. Our net profits have also grown from HK$96.9 million to HK$228.0 million over the same period. The U.S. and Europe are our key export markets. During the Track Record Period, the U.S. accounted for 22.8%, 33.3%, 39.6% and 48.5% of our revenues, respectively, while Europe accounted for 23.7%, 20.6%, 17.8% and 12.9% of our revenues during the Track Record Period, respectively. During the same periods, sales to the PRC and Hong Kong accounted for 26.7%, 29.8%, 30.5% and 28.9%, respectively.

The PRC was our fastest growing segment for the financial year ended 31 March 2009 in terms of revenue and gross profit with revenue rising 45.2% to HK$485.8 million and gross profit rising 56.7% to HK$239.3 million over the previous financial year. Markets outside of the PRC also saw a significant increase for the financial year ended 31 March 2009 with revenue for our export segment rising 22.3% to HK$1.48 billion and gross profit rising 36.0% to HK$461.7 million over the previous financial year. We intend to leverage on our competitive strengths to maintain and increase this rate of growth in the PRC and other regions by continuing to provide high quality affordable luxury products, building on our established brand and expanding our sales and retail network.

RECENT DEVELOPMENTS

We voluntarily delisted from the SGX-ST effective as of 15 September 2009. The Delisting was effected pursuant to the Delisting Offer. Valid acceptances representing a total of 112,249,870 of our Shares were received by Alina in the Delisting Offer, which closed on 2 September 2009. The remaining 10,843,130 Shares were acquired by Alina effective as of 18 November 2009 pursuant to a compulsory acquisition in accordance with the Companies Act. Upon completion of the Delisting and compulsory acquisition Alina held 100% of our Shares.

We completed the Reorganisation on 7 December 2009. Pursuant to the Reorganisation, Alina effected a distribution in specie and transferred all of the Shares it held to its shareholders as a dividend. Accordingly, 82.3% of our Shares are now owned by Man Wah Investments with the remaining 17.7% of our Shares being held by our Directors, members of management and other minority shareholders. Following the distribution in specie, Alina wound up its affairs.

Also, in connection with the Reorganisation we integrated Famous Bedding into our Group by transferring all of the equity interests of Famous Bedding to Man Wah Group. Previously Famous Bedding was 70% owned by Man Wah Investments through Man Wah Far East and 30% owned by Weston International, which was wholly owned by Mr. Yu Tung Wan, one of our non-executive Directors. Famous Bedding is a holding company that operates substantially all of its business through its subsidiaries. The principal business activities of Famous Bedding and its subsidiaries is the manufacture, sales and distribution of mattresses and bedding accessories. The total consideration paid for the Famous Bedding transfer was 57,616,000 Shares.

We declared and paid dividends of HK$268.4 million in November 2009.

BASIS OF PRESENTATION

We are a Bermuda holding company and conduct substantially all of our business through entities that we control. Our consolidated financial statements incorporate the financial statements of our subsidiaries. We consider entities to be subsidiaries where we have the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Our financial statements for the Track Record Period have been prepared as if Famous Bedding has always been a part of our group. Famous Bedding's financial information has been incorporated into our financial statements using the principles of merger accounting as if the 70% equity interest in Famous Bedding was owned by our Company throughout the Track Record Period and the 30% equity interest in Famous Bedding attributable to Mr. Yu Tung Wan was treated as minority interests. Accordingly, our combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows include the results, changes in equity and cash flows of the companies now comprising our Group including Famous Bedding. Our combined statements of financial position as of 31 March 2007, 2008 and 2009 and 30 September 2009 have been prepared to present the assets and liabilities of the companies now comprising our Group, including the Famous Bedding Group.

As a result of the Reorganisation, including the integration of Famous Bedding, the entities comprising our Group are different than the entities that comprised the group that was listed on the SGX-ST. Accordingly, any previously issued financial statements or reports are no longer representative of our business and should not be relied upon in connection with a decision with respect to purchasing Shares in the Global Offering.

All significant inter-group transactions, balances, income and expenses are eliminated on consolidation. In the Company's financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations and financial condition have been, and will continue to be, affected by a number of factors, including those set out below as well as those set out in the section entitled "Risk Factors" in this prospectus.

Economic conditions and the resulting impact on consumer spending in our target markets affects our business and financial performance.

The general economic conditions in our major markets such as the PRC, Hong Kong, North America and Europe affect consumers' spending patterns and, consequently, demand for our products. Specifically, economic factors such as a reduction in the availability of credit, increased unemployment levels, higher oil and energy costs, rising interest rates, adverse conditions in the housing markets, financial market volatility, recession, reduced consumer confidence, increased savings rates, and other factors affecting consumer spending behaviour such as acts of terrorism or major epidemics (including SARS, H1N1 or other influenzas) could adversely affect demand for our products. While we have experienced an increase in sales despite the challenging economy, if general economic conditions remain depressed, we may not be able to maintain or continue to grow our sales. In addition, reduced consumer spending may cause us to lower prices or suffer increases in product returns, which would have a negative impact on gross profit.

If our production capacity is not sufficient to satisfy demand for our products, our business and financial performance may be harmed.

Our revenue growth is dependent on our ability to meet growing demand for our products. We believe that the increases in our production capacity in recent years resulting from the addition of our production facility at Huizhou Daya Bay and increased efficiencies at our other production facilities have strengthened our market position and enhanced our competitiveness. We intend to further expand our production facility at Huizhou Daya Bay and expect that construction on this new phase will commence in early 2010 and be completed by the end of the financial year ending 31 March 2011. Additionally, we intend to construct a new production and distribution facility in Wujiang, Jiangsu to better service our retail operations in cities near the Yangtze River Delta. We expect this facility to be completed by the end of the financial year ending 31 March 2012. We expect the further expansion of our Huizhou Daya Bay facility to increase our production capacity by approximately 300,000 sofa sets (a set is comprised of a three-seater, a two-seater and a one-seater) a year and the Wujiang facility to increase our production capacity by another 300,000 sofa sets per year. We believe that our current production capacity is sufficient to meet our immediate needs. However, to the extent that our production capacity is not sufficient to meet our demands or we encounter difficulties in achieving increased production volumes, our business and results of operations may be harmed.

Pricing pressure from our competitors may harm our revenues and profitability.

The pricing of competing products by our major competitors may affect the pricing of our products. If our major competitors were to reduce their prices significantly, we may have to reduce our selling prices in order to remain competitive and this will likely reduce our revenues and profitability.

We depend on the U.S. for a substantial portion of our sales.

A substantial portion of our revenue is currently derived from sofa export sales to the U.S. and we anticipate that sofa export sales to the U.S. will continue to be significant. Our revenue attributable to sofa export sales to the U.S. for the Track Record Period were HK$201.7 million, HK$514.2 million, HK$777.4 million and HK$644.0 million, respectively, representing 22.8%, 33.3%, 39.6% and 48.5% of our total revenues during these periods. Therefore, our results of operations are largely affected by the level of consumer demand for our products in the U.S. which is in turn influenced by a number of factors some of which are beyond our control, including, amongst others, the recent economic downturn. While our revenue in the U.S. has been growing, should general economic conditions remain weak, our sales and results of operations may decline.

We sell our products to our customers in the U.S. through Man Wah Macau and conduct certain of our marketing efforts through Man Wah USA. Our tax advisers have advised that, based on their analysis of the activities carried out by Man Wah Macau and Man Wah USA during the Track Record Period, it appears that it is more-likely-than-not that Man Wah Macau would not be considered to be engaging in a U.S. trade or business ("USTOB") through its own activities or through Man Wah USA. In reaching their conclusion, our tax advisers considered, among other things, whether Man Wah Macau's own activities in the U.S. would cause it to be considered engaging in a USTOB or if the activities of any agents of Man Wah Macau in the U.S. would be imputed to Man Wah Macau and cause it to be considered engaging in a USTOB, during the Track Record Period.

Our Directors confirm that they have thoroughly considered the above matter and are of the view, and our auditors agree, that we have no significant U.S. tax exposure for the Track Record Period for the following reasons:

(a) Man Wah USA was active in the states of Nevada and North Carolina but did not have any employees, offices or warehouses in any other states outside of North Carolina and Nevada. Man Wah USA has filed its federal and state income tax returns annually and paid the applicable U.S. taxes accordingly on a timely basis and our Directors believe, and our auditors agree, that there is no material uncertain income tax positions for Man Wah USA. Therefore, our Directors believe, and our auditors agree, that Man Wah USA would not have material U.S. Federal and state income tax exposure.

(b) Man Wah Macau is not deemed to be a foreign corporation subject to U.S. federal income tax on income derived from its business operations based on the following facts:

- Man Wah Macau has not bestowed on Man Wah USA or any agent in the U.S. the authority to negotiate and conclude contracts in the U.S. on behalf of Man Wah Macau;
- Man Wah Macau has not instructed Man Wah USA or any agent in the U.S. to make sales in the U.S. on behalf of Man Wah Macau;
- In the event that negotiations were performed by Man Wah USA or any agent in the U.S., it is considered to be incidental to the entire negotiation process (as only liaison type of work has been performed by Man Wah USA) while Man Wah Macau has played an important role in the sales decision making process including execution and conclusion of contracts;
- Man Wah Macau did not maintain an office or other fixed place of business in the U.S.; and
- Man Wah Macau's employees did not have any business activities in the U.S.

For the foregoing reasons, our Directors believe, and our auditors agree, that Man Wah Macau is not considered to be engaging in a U.S. trade or business through its own activities.

(c) The employees of Man Wah USA only performed services related to the following activities:

- Advertising;
- Provision of product samples and pricing information;
- Marketing;
- Attending trade shows;
- Customer liaison;
- Supporting and coordination;
- After sales services; and
- Other activities which have preparatory or auxiliary character.

Our Directors believe, and our auditors agree, that Man Wah USA's activities would not be imputed to Man Wah Macau since:

- Man Wah USA has no authority to negotiate or conclude contracts;
- Man Wah USA is in the business of providing sales-support services while Man Wah Macau is in the business of trading tangible personal properties; and
- Man Wah USA charges Man Wah Macau an arm's length service fee regardless of how much sales Man Wah Macau makes in selling goods to its customers in the U.S.

Our Directors have also confirmed, and our tax advisers have agreed, that our Group has made adequate provisions for applicable taxes and that no transfer pricing provisions would be required to be made. Our Directors also confirm that they are not aware that any company of our Group is in material non-compliance with U.S. tax laws and has provided all required information and made all necessary filings with the applicable U.S. tax authorities and that all such information and filings are true, complete and accurate in all material aspects.

Having taken into account the foregoing, we believe that if Man Wah Macau were successfully challenged by the IRS and determined to be engaging in a USTOB, our estimated tax exposure and related tax penalty, as advised by our tax advisers, would be approximately US$5.7 million during the Track Record Period, based on an estimated U.S. Federal income tax rate of 34%. However, our actual liability may be more or less than estimated. In any event, our Controlling Shareholders have agreed to indemnify us in respect of any taxation (including U.S. tax) exceeding the amounts provided for in our audited accounts for the Track Record Period. Please refer to the section entitled "Summary of material contracts" in Appendix VI of this prospectus for further details of this indemnity.

Our success depends on our ability to continue to grow our sales in both our existing target markets and new regions.

Continued sales growth depends on a variety of factors, including, amongst others, our ability to continue to source raw materials at competitive costs, the continued demand for our products, the continued growth and urbanisation of the middle-class in the PRC, our ability to fund further growth, our ability continue to expand both our domestic and international sales networks and our ability to generate additional sales from our existing customers. We do not have long-term supply contracts with any of our customers and going forward our customers may choose to decrease the number of products purchased from us or some of our customers could stop carrying our products entirely. Further, our ability to expand our sales networks is dependent on various factors including, amongst others:

- developing a qualified labour force;
- complying with local laws and regulations;
- assessing the impact of local taxes and exemptions on our operations;
- understanding cultural differences;
- effectively enforcing contractual or other legal rights; and
- efficiently sourcing raw materials.

If we fail to sustain or to grow sales, our results of operations and financial condition will be harmed.

Our success depends on our ability to cater to changes in consumer tastes and preferences and produce commercially viable designs.

The home furniture industry is subject to constantly evolving designs and consumer preferences. Our success depends largely on our ability to continually develop new designs and products to meet our customers' changing tastes and preferences. In addition, we may need to acquire new processing technology or machinery to enhance our product quality to meet our customers' specifications. In the event we are unable to develop new and commercially viable designs and products to cater to changes in consumer taste or meet the specifications of our customers, the demand for our products and hence our business, financial results and growth may be harmed.

An increase in raw materials costs or our inability to procure raw materials at satisfactory prices may adversely affect our profitability.

The principal raw materials we use in our production processes are treated leather, PVC leather, wood, foam and chemicals. Cost of raw materials consumed accounted for approximately 94.1%, 91.9%, 89.9% and 87.9% of our cost of goods sold for the Track Record Period. We import most of our treated leather from Italy and Brazil and chemicals from chemical companies in the U.S., Australia and Hong Kong. We also source some treated leather, PVC leather and wood from the PRC. The prices of raw materials may fluctuate due to supply factors such as an outbreak of bovine spongiform encephalopathy (commonly known as the "mad cow disease") which may result in widespread destruction of cattle thereby affecting the supply of leather, and demand factors such as general market conditions and the availability of alternative comparable materials. An increase in oil prices, which have been volatile in recent years, will also result in an increase in prices of raw materials such as chemicals and PVC leather which are petroleum-based products. As we do not enter into any long-term supply agreements with our suppliers, we are subject to risks from fluctuations in raw materials costs and the risk of not being able to purchase sufficient quantities of raw materials to meet our production requirements. If we are unable to obtain raw materials at satisfactory prices or unable to pass increased costs on to our customers, our profitability and hence financial performance may be harmed. In addition, if we are unable to find alternative supplies of raw materials, our production activities will be harmed.

PRINCIPAL INCOME STATEMENT COMPONENTS

Revenue

All of our revenue is generated from the sale of furniture products. Our furniture products include Recliner Sofas, non-reclining sofas, mattresses, bedding accessories and other furniture such as wooden coffee tables and end tables.

Costs of goods sold

Our cost of goods sold includes:

- Purchases of major raw materials;
- A portion of depreciation and amortisation costs;
- A portion of utilities costs;
- A portion of labour costs;
- Rent for production facilities;
- Outsourced product costs, primarily relating to wood furniture; and
- Other manufacturing and packaging materials.

Gross profit and gross profit margin

Our gross profit is equal to revenue less cost of goods sold. Our gross profit margin is equal to gross profit divided by revenue.

Other income

Our other income is mainly comprised of rental income from investment properties in Hong Kong and the PRC, interest income, sundry income and commission income. Commission income relates to commissions received from third party interior decorators and contractors for referring them home renovation projects for our Morewell retail customers. Sundry income relates to income from the sale of scraped material.

Other gains and losses

Other gains and losses are mainly comprised of net exchange gain (loss), gain (loss) on revaluation of investment properties, gain (loss) on disposal of property, plant and equipment, impairment loss on trade receivables, gain (loss) on disposal of available-for-sale investments and change in fair value of derivative financial instruments.

Selling and distribution expenses

Our selling and distribution expenses are comprised mainly of transportation costs and freight charges for the delivery of products to customers, rental expenses for our retail shops, salaries for the sales staff, advertising, depreciation on leasehold improvements on the retail shops, traveling, promotion and exhibition charges. Distribution expenses fluctuate based on revenues, market rental costs in Hong Kong and the PRC, staff strength and market wage rates.

Administrative expenses

Our administrative expenses are comprised mainly of salaries for non-sales staff, including management, administration and Directors, entertainment expenses, office expenses (such as utilities costs, stationery, postage, cleaning and telephone), office and warehouse rental costs, depreciation on office equipment, motor vehicles and general office expenses and research and development expenses. Administrative expenses fluctuate based on sales activity levels, staff strength, market wage and rental rates.

Share of profit of loss of a jointly controlled entity or an associate

Share of profit of a jointly controlled entity includes our 50% share of the profits of Huizhou Ao Li, a manufacturer and distributor of massage chairs and our 50% share of the profits of Home Expo Limited. Share of profit of an associate is our 40% share of the profit of Schieder Cheers GmbH, a sales agency for furniture and furniture parts.

Finance costs

Our finance costs include interest expense on trust receipt loans and bank loans.

Income tax expense

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced our corporate tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Our subsidiaries in the PRC are taxed in accordance with the prevailing tax regulations in the PRC. In accordance with the FIE Tax Law and various approval documents issued by the Tax Bureau of the PRC, certain of our subsidiaries in the PRC are exempted from PRC corporate tax for the two years from their respective first profit-making year and thereafter are entitled to a 50% relief from the PRC corporate income tax for the following three years under the Income Tax Law of the PRC. In addition, our tax advisors have advised that our subsidiary incorporated in Macau is exempted from income tax.

On 16 March 2007, the PRC promulgated the New Enterprise Tax Law. On 6 December 2007, the State Council of the PRC issued the Implementation Regulations of the New Enterprise Tax Law. The New Enterprise Tax Law and Implementation Regulations will unify the tax rate to 25% for all PRC subsidiaries from 1 January 2008. There will be a transitional period for PRC subsidiaries that are currently entitled to preferential tax treatments granted by the relevant tax authorities. Our PRC subsidiaries which are currently subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008.

Our applicable tax rate for the financial years ended 31 March 2007, 2008 and 2009, and the six months ended 30 September 2008 and 2009 was 17.5%, 17.5%, 16.5%, 16.5% and 16.5%, respectively.

CRITICAL ACCOUNTING POLICIES, ESTIMATES AND JUDGMENTS

The financial information presented here has been prepared under a historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below. The financial information has been prepared in accordance with the following accounting policies which conform to IFRS issued by the International Accounting Standards Board. These policies have been consistently applied throughout the Track Record Period. In addition, the financial information includes applicable disclosures required by the Hong Kong Listing Rules and the Companies Ordinance.

Our reported financial performance and financial conditions are affected by the relevant accounting policies, assumptions and estimates adopted in the preparation of the financial statements. In reporting our financial performance and conditions, our Directors are required to exercise their judgment, based on their experience, knowledge of other companies in our industry and on other assumptions which they consider to be reasonable. Our Directors believe that the following principal accounting policies are most critical to our financial statements.

Revenue recognition

Revenue from sales of goods is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes. Revenue is recognised when goods are delivered and title has passed. With respect to domestic sales title generally passes upon delivery to customers. With respect to export sales title generally passes upon delivery to distributors.

Interest income is accrued on a time basis, by reference to the principal outstanding and the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Commission income is recognised when services are provided.

Rental income from properties under operating lease is recognised on a straight-line basis over the term of the relevant lease.

Dividend income from investments is recognised when the Shareholders' rights to receive payment have been established.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Properties in the course of construction for production or administrative purposes, or for purposes not yet determined are carried at cost, less any recognised impairment loss. Depreciation of these assets is on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than construction-in-progress, over their estimated useful lives using the straight-line method, on the following bases:

Buildings	50 years or over the term of the relevant lease for land, whichever is shorter
Leasehold improvements	5 years or over the term of the relevant lease, whichever is shorter
Plant and machinery	10%
Furniture, fittings and office equipment	20%
Motor vehicles	20%

The estimated useful lives and depreciation method are reviewed at each year end with effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Fully depreciated assets are retained in the Financial Information until they are no longer in use.

Inventories

Inventories are stated at the lower of costs and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and overheads incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution. Allowances are provided for obsolete inventories based on specific identification, taking into account future demand and market conditions.

Derivative financial instruments

Derivative financial instruments are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative financial instrument is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Foreign currency transactions and translation

In preparing the financial statements of each individual group entities, transactions in currencies other than the entity's functional currency (*i.e.*, the currency of the primary economic environment in which the entity operates) are recorded at the rates of exchange prevailing on the date of the transactions. The functional currency of the Company is United Sates dollars. The Financial Information is presented in Hong Kong dollars which is the presentation currency for the Financial Information as we consider that Hong Kong dollars are preferable when controlling and monitoring our performance and financial position. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year/period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year/period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting the Financial Information, the assets and liabilities of our foreign operations are expressed in Hong Kong dollars using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are classified as equity and transferred to our translation reserve. Such translation differences are recognised in the combined statements of comprehensive income in the period in which we dispose of the foreign operation.

RESULTS OF OPERATIONS

The following table sets forth our results of operations for the periods indicated:

	For the year ended 31 March						For the six months ended 30 September			
	2007		2008		2009		2008		2009	
	(HK$'000)	%	(HK$'000)	%	(HK$'000)	%	(HK$'000)	%	(HK$'000)	%
Revenue	884,870	100	1,543,089	100	1,963,837	100	1,021,901	100	1,326,646	100
Costs of goods sold	(648,772)	(73.3)	(1,050,879)	(68.1)	(1,262,790)	(64.3)	(660,963)	(64.7)	(777,222)	(58.6)
Gross profit	236,098	26.7	492,210	31.9	701,047	35.7	360,938	35.3	549,424	41.4
Other income	6,652	0.8	6,325	0.4	7,568	0.4	4,024	0.4	5,147	0.4
Other gains and losses	4,283	0.4	19,856	1.3	11,069	0.6	8,900	0.9	6,002	0.5
Selling and distribution expenses	(96,480)	(10.9)	(233,397)	(15.1)	(330,451)	(16.8)	(171,366)	(16.7)	(207,173)	(15.6)
Administrative expenses	(46,348)	(5.2)	(77,987)	(5.1)	(131,755)	(6.7)	(58,895)	(5.8)	(68,383)	(5.2)
Share of profit (loss) of jointly controlled entity	–	0.0	303	0.0	5	0.0	246	0.0	(1,837)	(0.1)
Share of loss of an associate	(196)	(0.0)	–	0.0	–	0.0	–	0.0	–	0.0
Finance costs	(2,036)	(0.2)	(4,610)	(0.3)	(8,031)	(0.5)	(4,703)	(0.5)	(2,318)	(0.2)
Profit before income tax	101,973	11.6	202,700	13.1	249,452	12.7	139,144	13.6	280,862	21.2
Income tax expense	(5,044)	(0.6)	(5,553)	(0.3)	(21,408)	(1.1)	(11,247)	(1.1)	(18,640)	(1.4)
Profit for the year/period	96,929	11.0	197,147	12.8	228,044	11.6	127,897	12.5	262,222	19.8

We have four reportable segments: (1) sofa retail and wholesales in the PRC; (2) sofa retail and wholesales in Hong Kong; (3) sofa export sales; and (4) bedding, which is sold in the PRC and Hong Kong. The following table shows our revenue by segment for the periods indicated, including as a percentage of total revenue.

	For the year ended 31 March						For the six months ended 30 September			
	2007		2008		2009		2008		2009	
Revenue	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Sofa retail and wholesale sales – PRC	107,718	12.2	267,411	17.3	368,736	18.7	165,237	16.2	226,529	17.1
Sofa retail and wholesale sales – Hong Kong[1]	93,111	10.5	125,229	8.1	113,183	5.8	60,112	5.9	55,328	4.2
Sofa export sales[2]	648,761	73.3	1,083,143	70.2	1,364,811	69.5	735,056	71.9	942,912	71.1
Bedding	35,280	4.0	67,306	4.4	117,107	6.0	61,496	6.0	101,877	7.6
Total	884,870	100	1,543,089	100	1,963,837	100	1,021,901	100	1,326,646	100

Notes:

(1) Our retail and wholesales in Hong Kong include sofas and other furniture products.

(2) Our export markets include the U.S., Canada, Europe and other countries such as Australia, New Zealand, India, Malaysia and countries in the Middle East.

The following table sets forth our approximate sales volumes by reportable segments for the periods indicated:

	For the year ended 31 March			For the six months ended 30 September	
	2007	2008	2009	2008	2009
	Units	Units	Units	Units	Units
Sofa retail and wholesale sales – PRC	22,900	37,100	39,200	20,200	21,500
Sofa retail and wholesale sales – Hong Kong(1)	5,200	2,900	3,300	1,600	2,800
Sofa Export Sales	156,300	213,900	245,600	118,200	164,500
Bedding	21,000	29,500	32,000	18,400	21,000
Total	205,400	283,400	320,100	158,400	209,800

Note:

(1) These sales volumes relate only to sofas and do not include other furniture.

The following table sets forth the approximate average selling price of our products by reportable segments for the periods indicated:

	For the year ended 31 March			For the six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$	HK$	HK$	HK$	HK$
Sofa retail and wholesale sales – PRC	4,700	7,200	9,400	8,200	10,500
Sofa retail and wholesale sales – Hong Kong(1)	7,200	7,500	7,700	7,600	7,700
Sofa Export Sales	4,150	5,100	5,600	6,250	5,900
Bedding	1,700	2,300	3,600	3,300	4,800

Note:

(1) These average selling prices relate only to sofas and do not take in account other furniture.

The following table sets forth a breakdown of our sales in the PRC.

	For the financial year ended 31 March			For the six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Bedding					
Retail sales	3,249	19,031	76,471	34,403	49,983
Distributor sales	32,031	48,275	40,636	27,093	51,894
Total	35,280	67,306	117,107	61,496	101,877
Sofa					
Retail sales(1)	5,635	137,429	173,486	78,243	104,931
Distributor sales	102,083	129,982	195,250	86,994	121,598
Total	107,718	267,411	368,736	165,237	226,529
Total PRC sales					
Retail sales	8,884	156,460	249,957	112,646	154,914
Distributor sales	134,114	178,257	235,886	114,087	173,492
Total	142,998	334,717	485,843	226,733	328,406

Note:

(1) We first established our self-operated specialty stores during the last quarter of the financial year ended 31 March 2007, thus our retail sales for that year only reflect one quarter while the amount of sales for the financial year ended 31 March 2008 and beyond included sales for full years. Please refer to the section entitled "Financial Information – Year ended 31 March 2008 compared to year ended 31 March 2007" for details of the overall increase in revenues from retails sales in the PRC.

The following table sets forth the principal components of our costs of goods sold in HK$ and as a percentage of our total costs of goods sold for the periods indicated:

	For the financial year ended 31 March						For the six months ended 30 September			
	2007		2008		2009		2008		2009	
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Cost of raw materials consumed(1)	610,372	94.1	965,378	91.9	1,135,161	89.9	560,952	84.9	683,313	87.9
Depreciation/Amortisation	3,687	0.5	8,577	0.8	14,990	1.2	7,629	1.2	9,973	1.3
Utilities	3,064	0.5	3,977	0.4	7,206	0.6	2,888	0.4	4,018	0.5
Labour costs	45,235	7.0	70,327	6.7	99,126	7.8	49,285	7.5	76,575	9.9
Rent	2,351	0.4	1,627	0.1	477	0.0	–	–	896	0.1
Outsourced products	182	0.0	562	0.1	4,925	0.4	291	–	1,285	0.2
Other	(16,119)	(2.5)	431	0.0	905	0.1	39,918	6.0	1,162	0.1
Total	648,772	100	1,050,879	100	1,262,790	100	660,963	100	777,222	100

Note:

(1) The primary raw materials consumed comprised leather, PVC leather, metal, wood and foam. For the Track Record Period, the average cost per sq.ft. of leather was HK$10.34, HK$13.96, HK$10.33 and HK$8.72, respectively, yard of PVC leather was HK$11.39, HK$11.55, HK$9.19 and HK$10.03, respectively, piece of metal was HK$190.10, HK$208.90, HK$145.07 and HK$119.58, respectively, piece of wood was HK$31.68, HK$96.26, HK$85.78 and HK$82.07, respectively, kilogram of soft foam was HK$9.98, HK$11.74, HK$8.70 and HK$9.67, respectively and inch of foam was HK$55.12, HK$56.85, HK$58.29 and HK$56.25, respectively. A sofa set comprising a three-seater, two-seater and one-seater requires, on average, approximately 193 sq. ft. of leather, 20 yards of PVC leather, 5 pieces of metal, 2.5 pieces of wood, 15 kilograms of soft foam and 6 inches of foam.

The following table sets forth our gross profit and gross margin by operating segments periods indicated in HK$'000:

	For the year ended 31 March						For the six months ended 30 September			
	2007		2008		2009		2008		2009	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%	HK$'000	%
Sofa retail and wholesale sales – PRC	55,275	51.3	118,501	44.3	164,936	44.7	73,612	44.5	102,687	45.3
Sofa retail and wholesale sales – Hong Kong	56,576	60.8	82,259	65.7	71,764	63.4	41,316	68.7	34,787	62.9
Sofa export sales	107,413	16.6	257,235	23.7	389,952	28.6	213,063	29.0	354,192	37.6
Bedding	16,834	47.7	34,215	50.8	74,395	63.5	32,947	53.6	57,758	56.7
Total	236,098		492,210		701,047		360,938		549,424	

SIX MONTHS ENDED 30 SEPTEMBER 2009 COMPARED TO SIX MONTHS ENDED 30 SEPTEMBER 2008

Revenue

Revenues for the six months ended 30 September 2009 were HK$1.33 billion, an increase of HK$304.7 million, or 29.8%, from revenues of HK$1.02 billion for the six months ended 30 September 2008. Revenues increased for sofa retail and wholesales in the PRC, sofa export sales and bedding by 37.1%, 28.3% and 65.7%, respectively. Revenues from sofa retail and wholesales in Hong Kong declined 8.0% to HK$55.3 million. Our sales volumes for the six months ended 30 September 2009 were 209,800 sets, an increase of 51,400 sets, or 32.4% from sales volumes of 158,400 sets for the six months ended 30 September 2008. Our sales volumes in our sofa retail and wholesales in the PRC, sofa retail and wholesales in Hong Kong, sofa export sales and bedding segments increased by 6.4%, 75.0%, 39.2% and 14.1%, respectively, for the six months ended 30 September 2009 compared to the six months ended 30 September 2008. The average selling price for our sofa retail and wholesales in the PRC and sofa retail and wholesales in Hong Kong segments increased by 28.0% and increased by 1.3%, respectively, for the six months ended 30 September 2009 compared to the six months ended 30 September 2008. The average selling price in our export sales segment decreased by 5.6% for the six months ended 30 September 2009 compared to the six months ended 30 September 2008. The average selling price of our bedding products for the six months ended 30 September 2009 was HK$4,800, an increase of HK$1,500, or 45.5% from the average selling price of HK$3,300 for the six months ended 30 September 2008.

Consumption demand for our "Cheers" brand sofas and bedding products in the PRC is strong. Our increased revenues in the PRC resulted from both increases in same store sales as well as sales at the 15 new "Cheers" and two new "Enlanda" specialty stores added during the period. The continued strong demand for our products is being driven by economic trends in the PRC impacting the furniture industry in general, including increases in disposable income particularly among middle and higher class populations in the PRC and increased urbanisation. Further, real estate trends such as increases in total GFA of residential properties in the PRC are also driving demand for furniture.

With respect to the increases in our sofa export sales, we have seen growth in demand from our existing customers and also added new customers in the U.S., Europe and other regions. Our sales to existing customers in the U.S. and Europe increased 34.5% and 5.8%, respectively, for the six months ended 30 September 2009 as compared the six months ended 30 September 2008. During the period, we also added 62 new customers in the U.S., including several listed companies such as Harvetys Furniture Co. Inc ("Harvetys") and privately owned chains such as City Furniture and Royal Furniture Company ("Royal Furniture"). Based on information published in Furniture Today, Harvetys has over 120 stores in 80 cities in the Southern and Midwestern regions of the U.S. and targets mid to high price point customers. It has over 250 stores in 33 states. City Furniture has over 20 stores in South Florida and Royal Furniture has nine stores in six states. Our continued growth in overseas sales are driven by a number of factors, including our expanded production platform, our relationships with prominent furniture retailers, including 30 of the top 100 largest furniture retailers in the U.S., and our reputation for providing high quality affordable luxury products that are in-line with consumer preferences. We have observed that several of our retail customers in the U.S. also increased the floor area dedicated to our products because our products have been strong performers for them. Additionally, "nesting" and home entertainment trends in the U.S., including the increased prevalence of flat screen televisions, which has changed the set up of U.S. living rooms, have driven demand for Recliner Sofas. We have also been able to leverage our position to capture market share from existing players and to capitalise on consolidation in the U.S. furniture industry.

We increased our production capacity in-line with increases in demand for our products. Specifically, our production capacity increased from 500,000 sofa sets and 42,800 units of mattress and bedding products to 516,000 sofa sets and 60,000 units of mattress and bedding products, or 6.1% for the six months ended 30 September 2009 compared to the six months ended 30 September 2008.

The decline in revenues from retail and wholesales in Hong Kong is primarily attributable to the slow recovery in the economy after being affected by the Global Financial Crisis downturn early in the year.

Costs of goods sold

Costs of goods sold for the six months ended 30 September 2009 were HK$777.2 million, an increase of HK$116.3 million, or 17.6%, from costs of goods sold of HK$661.0 million for the six months ended 30 September 2008. The increase in costs of goods sold was primarily attributable to general increases in our sales partially offset by savings arising from increased economies of scale in our operations and from lower unit costs of raw material for leather, metal and soft foam which decreased by 28.6%, 24.9% and 21.5%, respectively, compared to the six months ended 30 September 2008. Cost of goods sold as a percentage of revenues decreased to 58.6% for the six months ended 30 September 2009 as compared to 64.7% for the six months ended 30 September 2008.

Gross profit

Gross profit for the six months ended 30 September 2009 was HK$549.4 million, an increase of HK$188.5 million, or 52.2%, from gross profit of HK$360.9 million for the six months ended 30 September 2008. Gross profit as a percentage of total revenues increased to 41.4% for the six months ended 30 September 2009 as compared to 35.3% for the six months ended 30 September 2008. The increase in gross profit as a percentage of total revenues was primarily attributable to savings arising from increased economies of scale in our operations and from lower raw material costs. We have been able to negotiate better prices for raw materials in recent periods given the soft demand for raw materials generally; however, we expect raw materials costs to trend marginally higher as the global economy begins to recover. For additional detail regarding fluctuations in gross profit see the table on page 188.

Other income

Other income for the six months ended 30 September 2009 was HK$5.1 million, an increase of HK$1.1 million, or 27.9%, from other income of HK$4.0 million for the six months ended 30 September 2008. For the six months ended 30 September 2009 interest income, rental income and sundry income comprised 12.5%, 24.7% and 56.9% of other income, respectively. For the six months ended 30 September 2008 interest income, rental income and sundry income comprised 3.6%, 40.0% and 50.0% of other income, respectively. The increase in other operating income was primarily attributable to increases in interest income and sundry income which was partially offset by a reduction in the rental income.

Other gains and losses

Other gains for the six months ended 30 September 2009 was a gain of HK$6.0 million, a decrease of HK$2.9 million, or 32.6%, from other gains of HK$8.9 million for the six months ended 30 September 2008. For the six months ended 30 September 2009 other gains included a change in fair value of derivative financial instruments of HK$9.9 million partially offset by exchange losses of HK$3.5 million and an impairment loss on trade receivables of HK$1.2 million. For the six months ended 30 September 2008 other gains included a change in fair value of derivative financial instruments of HK$10.2 million partially offset by exchange losses of HK$1.7 million.

Selling and distribution expenses

Selling and distribution expenses for the six months ended 30 September 2009 were HK$207.2 million, an increase of HK$35.8 million, or 20.9%, from selling and distribution expenses of HK$171.4 million for the six months ended 30 September 2008. The increase in selling and distribution expenses was primarily attributable to increased transport and port charges, salaries and commission expenses (being the amounts paid to our sales employees upon successful sales), rental and rates. Selling and distribution expenses as a percentage of revenues decreased to 15.6% for the six months ended 30 September 2009 as compared to 16.8% for the six months ended 30 September 2008. The decrease in selling and distribution expenses as a percentage of total revenues was primarily attributable to faster growth in revenue and general control over costs for the period.

Administrative expenses

Administrative expenses for the six months ended 30 September 2009 were HK$68.3 million, an increase of HK$9.5 million, or 16.1%, from administrative expenses of HK$58.9 million for the six months ended 30 September 2008. The increase in administrative expenses was primarily attributable to legal and professional fees related to our privatisation of HK$1.8 million, legal and professional fees related to the Reorganisation and the Global Offering of HK$7.0 million, exchange losses and provision for bad and doubtful debts but was partially offset by reduction in insurance fees, staff welfare, training and recruitment costs. Administrative expenses as a percentage of revenues decreased to 5.2% for the six months ended 30 September 2009 as compared to 5.8% for the six months ended 30 September 2008. The decrease in administrative expenses as a percentage of total revenues was primarily attributable to the leveraging of fixed administrative costs over increased revenues.

Share of profit or loss of jointly controlled entity

Share of loss of jointly controlled entity for the six months ended 30 September 2009 was HK$1.8 million, a decrease of HK$2.0 million, or 100%, from share of profit of Huizhou Ao Li, a jointly controlled entity of HK$0.2 million for the six months ended 30 September 2008. The losses were attributable to losses at Huizhou Ao Li.

Finance costs

Finance costs for the six months ended 30 September 2009 were HK$2.3 million, a decrease of HK$2.4 million, or 50.7%, from finance costs of HK$4.7 million for the six months ended 30 September 2008. The decrease in finance costs was primarily attributable to the net repayment of bank borrowings of HK$34.3 million. We expect that our finance costs will increase going forward as we expect to undertake additional bank borrowings to fund some of our expansion plans.

Income tax

Tax expenses for the six months ended 30 September 2009 were HK$18.6 million, an increase of HK$7.4 million, or 65.7%, from tax expenses of HK$11.2 million for the six months ended 30 September 2008. The effective tax rate for the six months ended 30 September 2009 was 6.6% compared to an effective tax rate of 8.1% for the six months ended 30 September 2008. The increase in tax expenses was primarily attributable to increases in operating profit for the six months ended 30 September 2009 and higher tax rates for Hangzhou Man Wah, Xi An Man Wah, Dalian Man Wah, Dongguan Man Wah, Zhuhai Man Wah, Bedding SZ and Man Wah Furniture HZ following the expiration of tax holidays.

YEAR ENDED 31 MARCH 2009 COMPARED TO YEAR ENDED 31 MARCH 2008

Revenue

Revenues for the financial year ended 31 March 2009 were HK$1.96 billion, an increase of HK$420.8 million, or 27.3%, from revenues of HK$1.54 billion for the financial year ended 31 March 2008. Revenues increased for sofa retail and wholesales in the PRC, sofa export sales and bedding by 37.9%, 26.0% and 74.0%, respectively. Revenues from sofa retail and wholesales in Hong Kong declined 9.6% to HK$113.2 million. Our sales volume for the financial year ended 31 March 2009 was 320,100 sets, an increase of 36,700 sets, or 11.5% from sales volumes of 283,400 sets for the financial year ended 31 March 2008. Our sales volumes in our sofa retail and wholesales in the PRC, sofa retail and wholesales in Hong Kong, sofa export sales and bedding segments increased by 5.7%, 13.8%, 14.8% and 8.5%, respectively, for the financial year ended 31 March 2009 compared to the financial year ended 31 March 2008. Our sales volume in our retail and wholesales of other furniture products in Hong Kong declined 15.5% for the financial year ended 31 March 2009 compared to the financial year ended 31 March 2008. The average selling price in our sofa retail and wholesales in the PRC, sofa retail and wholesales in Hong Kong and sofa export sales segments increased by 30.6%, 2.7% and 9.8%, respectively, for the financial year ended 31 March 2009 compared to the financial year ended 31 March 2008. The average selling price of our bedding products for the financial year ended 31 March 2009 was HK$3,600, an increase of HK$1,300, or 56.5% from the average selling price of HK$2,300 for the financial year ended 31 March 2008.

The increase in revenues from retail and wholesales in the PRC is primarily attributable to the addition of approximately 50 new "Cheers" specialty stores over the course of the year. We experienced slower rate of growth in the financial year ended 31 March 2009 compared to the financial year ended 31 March 2008. The decrease in revenues from retail and wholesales in Hong Kong is primarily attributable to the impact of the Global Financial Crisis in Hong Kong. The increase in revenues from sofa export sales is attributable to higher volumes as well as higher value sales orders from both new and existing customers in the U.S. and more orders from existing customers and sales to new customers in Europe. The increase in revenues from bedding sales is primarily attributable to the addition of approximately 50 new "Enlanda" specialty stores over the course of the year.

Our annual production capacity remained static at 500,000 sofa sets and 42,800 units of mattress and bedding products for the financial year ended 31 March 2009 compared to the financial year ended 31 March 2008.

Costs of goods sold

Costs of goods sold for the financial year ended 31 March 2009 were HK$1.26 billion an increase of HK$211.9 million, or 20.2%, from costs of goods sold of HK$1.05 billion for the financial year ended 31 March 2008. The increase in costs of goods sold was primarily attributable to overall increased sales from three market segments – Sofa-retail and wholesales in the PRC, Sofa export sales and bedding. Cost of goods sold as a percentage of revenues decreased to 64.3% for the financial year ended 31 March 2009 as compared to 68.1% for the financial year ended 31 March 2008.

Gross profit

Gross profit for the financial year ended 31 March 2009 was HK$701.0 million an increase of HK$208.8 million, or 42.4%, from gross profit of HK$492.2 million for the financial year ended 31 March 2008. Gross profit as a percentage of total revenues increased to 35.7% for the financial year ended 31 March 2009 as compared to 31.9% for the financial year ended 31 March 2008. The increase in gross profit as a percentage of total revenues was primarily attributable to better cost control measures implemented partly in response to the Global Financial Crisis and decreases in unit costs of raw materials of 26.0% and 25.9% for leather and soft foam, respectively, as a result of the Global Financial Crisis. For additional detail regarding fluctuations in gross profit see the table on page 188.

Other income

Other income for the financial year ended 31 March 2009 was HK$7.6 million, an increase of HK$1.2 million, or 19.7%, from other operating income of HK$6.3 million for the financial year ended 31 March 2008. The increase in other income is primarily attributable to increased rental income from investment properties and increased commission income partially offset by decreased interest income. Other income as a percentage of revenues remained static at 0.4% for the financial years ended 31 March 2009 and 2008.

Other gains and losses

Other gains and losses for the financial year ended 31 March 2009 was a gain of HK$11.1 million a decrease of HK$8.8 million, or 44.3%, from other gains of HK$19.9 million for the financial year ended 31 March 2008. For the financial year ended 31 March 2009 other gains included a change in fair value of derivative financial instruments of HK$15.4 million partially offset by exchange losses of HK$2.1 million and an impairment loss on trade receivables of HK$3.6 million. For the financial year ended 31 March 2008 other gains included a change in fair value of derivative financial instruments of HK$10.5 million, exchange gains of HK$7.5 million and a gain on revaluation of investment properties of HK$2.7 million.

Selling and distribution expenses

Selling and distribution expenses for the financial year ended 31 March 2009 were HK$330.5 million an increase of HK$97.1 million, or 41.6%, from selling and distribution expenses of HK$233.4 million for the financial year ended 31 March 2008. Selling and distribution expenses also increased as a percentage of revenues to 16.8% for the financial year ended 31 March 2009 as compared to 15.1% for the financial year ended 31 March 2008. The increase in selling and distribution expenses as a percentage of sales was due to the following factors, among others:

- Transportation, port and freight charges increased HK$58.5 million to HK$172.4 million for the financial year ended 31 March 2009 as compared to HK$113.9 million for the financial year ended 31 March 2008 due to higher levels of export sales and higher transport costs due to customers' requests that we transport sofas directly to their warehouses and bear the related costs;

- Rental rates and related expenses increased HK$14.2 million from HK$46.1 million in the financial year ended 31 March 2008 to HK$60.3 million in the financial year ended 31 March 2009 due to an increase in the number of retail shops in the PRC;

- Commissions to sales employees for successful sales, agent fees to Independent Third Parties for customer referrals and sales related salaries increased from HK$26.6 million in the financial year ended 31 March 2008 to HK$40.3 million in the financial year ended 31 March 2009 in line with increased revenues; and
- Depreciation expenses for the year increased from HK$4.8 million to HK$11.3 million primarily due to the change in the basis for the estimation of the useful lives of our leasehold improvements. We shifted from an estimated 5 year useful life to a 2 year useful life for leasehold improvements due to the fact that we frequently undertake improvement projects at retail outlets after two years as we constantly need to upgrade showrooms to appeal to customers changing tastes and preferences.

Administrative expenses

Administrative expenses for the financial year ended 31 March 2009 were HK$131.8 million an increase of HK$53.8 million, or 68.9%, from administrative expenses of HK$78.0 million for the financial year ended 31 March 2008. Administrative expenses as a percentage of revenues increased to 6.7% for the financial year ended 31 March 2009 as compared to 5.1% for the financial year ended 31 March 2008. The increase in administrative expenses on an absolute basis and as a percentage of revenues was attributable to several factors related to our expansion efforts, including the following among others:

- salary allowances and related costs increased to HK$47.4 million for the financial year ended 31 March 2009 from HK$32.2 million for the financial year ended 31 March 2008 because we increased employee numbers;
- rent, rates, depreciation and related building fees increased to HK$18.1 million for the financial year ended 31 March 2009 from HK$12.4 million for the financial year ended 31 March 2008 primarily due to the addition of property, plant and equipment over the course of the year; and
- office and related expenses increased to HK$13.2 million for the financial year ended 31 March 2009 from HK$7.1 million for the financial year ended 31 March 2008.

Additionally, professional fees for the financial year ended 31 March 2009 increased to HK$9.7 million in from HK$4.3 million in the financial year ended 31 March 2008 primarily due to our unsuccessful acquisition of Famous Bedding in the financial year ended 31 March 2009 (note, we subsequently integrated Famous Bedding into our Group on 7 December 2009 – see the section entitled "Company History and Reorganisation" in this prospectus).

Share of profit or loss of jointly controlled entity

Share of profit or loss of a jointly controlled entity for the financial year ended 31 March 2009 was a profit of HK$5,000 a decrease of HK$298,000, or 98.4%, from share of profit of Huizhou Ao Li, a jointly controlled entity, of HK$303,000 for the financial year ended 31 March 2008. The decrease in share of profit of the jointly controlled entity was primarily attributable decrease in operating profit recognised by the jointly controlled entity. Going forward we expect no profit from the jointly controlled entity because it became inactive in July 2008.

Finance costs

Finance costs for the financial year ended 31 March 2009 were HK$8.0 million an increase of HK$3.4 million, or 74.2%, from finance costs of HK$4.6 million for the financial year ended 31 March 2008. The increase in finance costs was primarily attributable to increased bank loan balances and increased interest rates due to tight credit conditions resulting from the Global Financial Crisis. Going forward we expect finance costs to increase based on expected increases in interest rates in the future.

Income tax

Income tax expense for the financial year ended 31 March 2009 was HK$21.4 million an increase of HK$15.9 million, or 285.5%, from tax expenses of HK$5.6 million for the financial year ended 31 March 2008. The effective tax rate for the financial year ended 31 March 2009 was 8.6% compared to an effective tax rate of 2.7% for the financial year ended 31 March 2008. The increase in income tax expense was primarily attributable to an increase in tax rates for Hangzhou Man Wah, Xi An Man Wah, Dalian Man Wah, Dongguan Man Wah, Zhuhai Man Wah, Bedding SZ and Man Wah Furniture HZ following the expiration of tax holidays.

YEAR ENDED 31 MARCH 2008 COMPARED TO YEAR ENDED 31 MARCH 2007

Revenue

Revenues for the financial year ended 31 March 2008 were HK$1.54 billion, an increase of HK$658.0 million, or 74.4%, from revenues of HK$885 million for the financial year ended 31 March 2007. Our revenues for the financial year ended 31 March 2008 increased across all four of our operating segments as compared to the financial year ended 31 March 2007. Specifically, revenue from sofa retail and wholesales in the PRC and Hong Kong increased 148.8% and 34.5%, respectively, sofa export revenues increased 67.0% and bedding increased 90.8%. Our sales volume for the financial year ended 31 March 2008 was 283,400 sets, an increase of 78,000 sets, or 38.0% from sales volume of 205,400 sets for the financial year ended 31 March 2007. Our sales volumes in our sofa retail and wholesales in the PRC, sofa export sales and bedding segments increased by 62.0%, 36.9% and 40.5%, respectively, for the financial year ended 31 March 2008 compared to the financial year ended 31 March 2007. Our sales volume in our sofa retail and wholesales in Hong Kong declined 44.2% for the financial year ended 31 March 2008 compared to the financial year ended 31 March 2007, which was partially offset by an 83.0% increase in retail and wholesales of other furniture products in Hong Kong for the financial year ended 31 March 2008 compared to the financial year ended 31 March 2007. The average selling price in our sofa retail and wholesales in the PRC, sofa retail and wholesales in Hong Kong and sofa export sales segments increased by 53.2%, 4.2% and 22.9%, respectively, for the financial year ended 31 March 2008 compared to the financial year ended 31 March 2007. The average selling price of bedding products for the financial year ended 31 March 2008 was HK$2,300 an increase of HK$600, or 35.3% from the average selling price of HK$1,700 for the financial year ended 31 March 2007.

The increase in revenues from retail and wholesales in the PRC is primarily attributable the addition of 59 new "Cheers" specialty stores over the course of the year. The increase in revenues from retail and wholesales in Hong Kong is primarily attributable to the improvement of economic environment in Hong Kong. The increase in revenues from sofa export sales is attributable to higher volumes as well as higher value sales orders from both new and existing customers in the U.S. and more orders from existing customers and sales to new customers in Europe. The increase in revenues from bedding sales is primarily attributable to the addition of 70 new "Enlanda" specialty stores over the course of the year.

We increased our production capacity in-line with increases in demand for our products. Specifically, our production capacity increased from 203,000 sofa sets and 29,400 units of mattress and bedding products to 500,000 sofa sets and 42,800 units of mattress and bedding products, or 133.6% for the financial year ended 31 March 2008 compared to the financial year ended 31 March 2007.

Costs of goods sold and gross profit

Costs of goods sold for the financial year ended 31 March 2008 were HK$1.05 billion an increase of HK$402.1 million, or 62.0%, from costs of goods sold of HK$648.8 million for the financial year ended 31 March 2007. The increase in costs of goods sold was primarily attributable to overall increased sales from three market segments – Sofa-retail and wholesales in the PRC and Hong Kong, Sofa export sales and bedding. Cost of goods sold as a percentage of revenues decreased to 68.1% for the financial year ended 31 March 2008 as compared to 73.3% for the financial year ended 31 March 2007.

Gross profit

Gross profit for the financial year ended 31 March 2008 was HK$492.2 million, an increase of HK$256.1 million, or 108.5%, from gross profit of HK$236.1 million for the financial year ended 31 March 2007. Gross profit as a percentage of total revenues increased to 31.9% for the financial year ended 31 March 2008 as compared to 26.7% for the financial year ended 31 March 2007. The increase in gross profit as a percentage of total revenues was primarily attributable to better cost control measures and general saving from economies of scale, partially offset by increases in unit costs of raw material by 35.0% and 17.6% for leather and soft foam, respectively. For additional detail regarding fluctuations in gross profit see the table on page 188.

Other income

Other income for the financial year ended 31 March 2008 was HK$6.3 million, a decrease of HK$327,000, or 4.9%, from other operating income of HK$6.7 million for the financial year ended 31 March 2007. Other income as a percentage of revenue decreased to 0.4% for the financial year ended 31 March 2008 as compared to 0.8% for the financial year ended 31 March 2007.

Other gains and losses

Other gains and losses for the financial year ended 31 March 2008 was a gain of HK$19.9 million, an increase of HK$15.6 million, or 363.6%, from other gains of HK$4.3 million for the financial year ended 31 March 2007. For the financial year ended 31 March 2008 other gains included a change in fair value of derivative financial instruments of HK$10.5 million, exchange gains of HK$7.5 million and a gain on revaluation of investment properties of HK$2.7 million. For the financial year ended 31 March 2007 other gains were primarily comprised of an exchange gain of HK$3.5 million.

Selling and distribution expenses

Selling and distribution expenses for the financial year ended 31 March 2008 were HK$233.4 million, an increase of HK$136.9 million, or 141.9%, from selling and distribution expenses of HK$96.5 million for the financial year ended 31 March 2007. Selling and distribution expenses also increased as a percentage of revenues to 15.1% for the financial year ended 31 March 2008 as compared to 10.9% for the financial year ended 31 March 2007. The increase in selling and distribution expenses was due to the following factors, among others:

- Transportation, port and freight charges increased HK$75.7 million to HK$113.9 million for the financial year ended 31 March 2008 as compared to HK$38.2 million for the financial year ended 31 March 2007 due to higher levels of export sales and higher transport costs due to customers' requests that we transport sofas direct to their warehouses and bear the related costs;

- Exhibition and advertising expenses increased HK$5.5 million from HK$13.2 million for the financial year ended 31 March 2007 to HK$18.7 million for the financial year ended 31 March 2008 due to increased efforts to promote our brand name "Cheers" both in domestic and international markets;

- Rental rates and related expenses increased HK$29.6 million from HK$16.5 million for the financial year ended 31 March 2007 to HK$46.1 million for the financial year ended 31 March 2008 due to the addition of a number of retail shops in the PRC;

- Commissions to employees for successful sales, agent fees to Independent Third Parties for customer referrals and sales related salaries increased from HK$11.8 million for the financial year ended 31 March 2007 to HK$26.6 million for the financial year ended 31 March 2008 due to higher sales and promotion activities; and

- Depreciation expenses for the year also increased from HK$0.5 million to HK$4.8 million primarily due to the addition of property, plant and equipment over the course of the year.

Administrative expenses

Administrative expenses for the financial year ended 31 March 2008 were HK$78.0 million an increase of HK$31.6 million, or 68.3%, from administrative expenses of HK$46.4 million for the financial year ended 31 March 2007. Administrative expenses as a percentage of revenues decreased to 5.1% for the financial year ended 31 March 2008 as compared to 5.2% for the financial year ended 31 March 2007. The increase in administrative expenses was attributable to the following factors, among others:

- Salaries, allowances and related costs increased to HK$32.2 million for the financial year ended 31 March 2008 from HK$16.4 million for the financial year ended 31 March 2007 because we added staff to service our growing operations;

- Rent, rates, depreciation and related building fees increased to HK$12.4 million for the financial year ended 31 March 2008 from HK$10.1 million for the financial year ended 31 March 2007 primarily due to the addition of property, plant and equipment over the course of the year;

- Overall office administrative expenses increased to HK$7.1 million for the financial year ended 31 March 2008 from HK$3.7 million for the financial year ended 31 March 2007 due to additional administrative assistance to support our growing sales; and

- PRC sales tax and duty expenses increased to HK$2.0 million for the financial year ended 31 March 2008 from HK$0.4 million for the financial year ended 31 March 2007 due to increases in revenues, purchases and profits from PRC operations.

Share of profit or loss of jointly controlled entity

Share of profit or loss of jointly controlled entity for the financial year ended 31 March 2008 was a profit of HK$303,000 as compared to no profit or loss for the financial year ended 31 March 2007. The profits were primarily attributable to establishment of Huizhou Ao Li during the financial year ended 31 March 2008.

Finance costs

Finance costs for the financial year ended 31 March 2008 were HK$4.6 million an increase of HK$2.6 million, or 126%, from finance costs of HK$2.0 million for the financial year ended 31 March 2007. The increase in finance costs was primarily attributable to net increase in bank borrowing during the financial year ended 31 March 2008.

Income tax

Income tax expense for the financial year ended 31 March 2008 was HK$5.6 million an increase of HK$0.5 million, or 10.1%, from income tax expense of HK$5.0 million for the financial year ended 31 March 2007. The effective tax rate for the financial year ended 31 March 2008 was 2.7% compared to an effective tax rate of 4.9% for the financial year ended 31 March 2007. The decrease in our effective tax rate was primarily attributable to tax holidays enjoyed by Man Wah Furniture (HZ) and Man Wah Macau.

LIQUIDITY AND CAPITAL RESOURCES

Our principal sources of liquidity have been cash provided by operations and borrowings under our various bank loans. Our principal uses of cash have been to finance working capital, facility expansions, capital expenditures and debt service requirements. We anticipate these uses will continue to be our principal uses of cash in the future.

Current assets and current liabilities

Working capital

We seek to effectively manage our cash flow and capital commitments and to ensure that we have sufficient funds to meet our existing and future cash requirements. Based on our current and anticipated levels of operations and conditions in the markets and industry, our Directors believe that our proceeds from this Global Offering, our cash and bank deposits, cash flow from operations, our banking relationships and future financings will enable us to meet our working capital, capital expenditures, and other funding requirements for the foreseeable future, including the next 12 months from the date of this prospectus. However, our ability to fund our working capital needs, repay our indebtedness and finance other obligations depends on our future operating performance and cash flow, which are in turn subject to prevailing economic conditions, the level of spending by our customers and other factors, many of which are beyond our control. Any future significant acquisition or expansion may require additional capital, and we cannot assure you that such capital will be available to us on acceptable terms, if at all.

In general, we have the ability to generate adequate cash from our operations to fund our ongoing operating cash needs and the continuing expansion of our business. While we do not currently have any plans to raise material external debt financing, we may use short-term bank borrowings to finance operations and repay bank borrowings once our funding position is in surplus. We have not experienced and do not expect to experience any difficulties meeting our obligations as they become due.

We had bank balances and cash of HK$57.0 million, HK$37.1 million, HK$229.3 million, HK$86.9 million and HK$537.2 million as of the financial years ended 31 March 2007, 2008 and 2009, and the six months ended 30 September 2008 and 2009, respectively.

We had current assets of HK$365.9 million, HK$559.1 million and HK$671.2 million, HK$654.1 million and HK$1.07 billion as of the financial years ended 31 March 2007, 2008 and 2009, and the six months ended 30 September 2008 and 2009, respectively. The increase in current assets from the financial year ended 31 March 2008 to the financial year ended 31 March 2009 was primarily due to a substantial increase in bank balances and cash, partially offset by decreases in trade receivables, other receivables and prepayment, derivative financial instruments and inventories. We had current liabilities of HK$183.6 million, HK$364.2 million, HK$332.4 million, HK$359.9 million and HK$550.3 million as of the financial years ended 31 March 2007, 2008 and 2009, and the six months ended 30 September 2008 and 2009, respectively. The reduction in current liabilities from the financial year ended 31 March 2008 to the financial year ended 31 March 2009 resulted from a decrease in trade payables and derivative financial instruments, partially offset by an increase in other payables and accruals and income tax payable.

The key components of our current assets as of the financial year ended 31 March 2009 included: inventories of HK$214.7 million; trade receivables of HK$148.4 million; other receivables and prepayments of HK$50.5 million; lease premium for land of HK$1.0 million; derivative financial instruments of HK$23.7 million; pledged bank deposits of HK$3.5 million; and bank balances and cash of HK$229.3 million. The key components of our current liabilities as of the financial year ended 31 March 2009 included: trade payables of HK$116.2 million; other payables and accruals of HK$112.2 million; amounts due to Directors of HK$5.6 million; tax payable of HK$11.5 million; derivative financial instruments of HK$14.0 million; and bank borrowings of HK$72.9 million.

Cash flows

The following table sets forth certain information regarding our consolidated cash flows for the years indicated:

	For the financial year ended 31 March			For the six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Net cash from operating activities	22,945	125,096	325,244	68,610	349,290
Net cash (used in) investing activities	(129,484)	(196,310)	(88,366)	(49,105)	(53,048)
Net cash from (used in) financing activities	119,244	48,807	(41,846)	32,743	11,682
Cash and cash equivalents at beginning of year/period	43,298	56,965	33,241	33,241	229,325
Cash and cash equivalents at end of year/period [(1)]	56,965	33,241	229,325	86,916	537,249

(1) The balances consisted of cash and bank balances and bank overdrafts.

Net cash flows from operating activities

Our net cash flow generated from operating activities reflects our profit before taxation, as adjusted for non-cash items, such as depreciation and amortisation, and the effects of changes in working capital, such as increases or decreases in trade and other receivables, accruals and other payables, and income tax payment.

In the financial year ended 31 March 2009, we had net cash from operating activities of HK$325.2 million, primarily as a result of operating profits of HK$249.5 million, a decrease in inventories of HK$17.4 million, a decrease in trade receivables of HK$18.8 million, a decrease in other receivables and prepayments of HK$21.5 million, a decrease in derivative financial instruments of HK$373,000 and an increase in other payables and accruals of HK$5.2 million, partially offset by a decrease in trade payables of HK$15.3 million. The decrease in inventories was primarily attributable to overall improvements in inventory control and reductions in inventory levels partially offset by our expansion and increased market demand for our products. The decrease in trade receivables was primarily attributable to our increased collection efforts partially offset by increased credit sales in the financial year ended 31 March 2008. The decrease in other receivables and prepayments was primarily attributable to decreased valued added taxes recoverable and deposits paid partially offset by increase in prepayments. The decrease in derivative financial instruments was primarily attributable to fair value change in derivative financial instruments in the financial year ended 31 March 2009. The increase in other payables and accruals was primarily attributable to increased trade deposits received partially offset by decreased accruals. The decrease in trade payables was primarily attributable to earlier settlements with suppliers in the financial year ended 31 March 2009.

In the financial year ended 31 March 2008, we had net cash from operating activities of HK$125.1 million, primarily as a result of operating profits of HK$202.7 million, an increase in inventories of HK$46.4 million, an increase in trade receivables of HK$96.3 million, an increase of other receivables and prepayments of HK$43.4 million and an increase in derivative financial instruments of HK$10.0 million, partially offset by an increase in trade payables of HK$59.7 million and an increase of other payables and accruals of HK$44.5 million. The increase in inventories was primarily attributable to our expansion and the increased demand for our products. The increase in trade receivables was primarily attributable to increased credit sales. The increase of other receivables and prepayments was primarily attributable to increased valued added taxes recoverable and deposits paid partially offset by prepayments. The increase in derivative financial instruments was primarily attributable to fair value change in derivative financial instruments over the period. The increase in trade payables was primarily attributable to increased purchases. The increase in other payables and accruals was primarily attributable to increased trade deposit received and accruals.

In the financial year ended 31 March 2007, we had net cash from operating activities of HK$22.9 million, primarily as a result of operating profits of HK$102.0 million, an increase in inventories of HK$104.5 million, an increase in trade receivables of HK$45.1 million and an increase in other receivables and prepayments of HK$16.4 million, partially offset by an increase in trade payables of HK$50.0 million and an increase in other payables and accruals of HK$28.6 million. The increase in inventories was primarily attributable to our expansion and increased market demand for our products. The increase in trade receivables was primarily attributable to increased credit sales. The increase of other receivables and prepayments was primarily attributable to increased valued added taxes recoverable and deposits paid. The increase in trade payables was primarily attributable to increased purchases during the period. The increase in other payables and accruals was primarily attributable to increased trade deposits received and accruals.

In the six months ended 30 September 2009, we had net cash from operating activities of HK$349.3 million, primarily as a result of operating profits of HK$280.9 million, an increase in inventories of HK$50.2 million, an increase in trade receivables of HK$44.6 million, an increase of other receivables and prepayments of HK$8.8 million and an increase in derivative financial instruments of HK$1.5 million, partially offset by an increase in trade payables of HK$99.1 million and an increase of other payables and accruals of HK$61.0 million. The increase in inventories was primarily attributable to our expansion and increased demand for our products. The increase in trade receivables was primarily attributable to increased credit sales. The increase of other receivables and prepayments was primarily attributable to increased valued added taxes recoverable and deposits paid. The increase in derivative financial instruments was primarily attributable an increase in the number of contracts entered. The increase in trade payables was primarily attributable to increased credit purchases during the period. The increase in other payables and accruals was primarily attributable to increased trade deposits received and other accruals.

In the six months ended 30 September 2008, we had net cash from operating activities of HK$68.6 million, primarily as a result of operating profits of HK$139.1 million, an increase in trade receivables of HK$50.9 million, an increase of other receivables and prepayments of HK$27.6 million and an increase in derivative financial instruments of HK$3.0 million, a decrease in trade payables of HK$26.0 million, partially offset by a decrease in inventories of HK$25.1 million and increase of other payables and accruals of HK$1.8 million. The increase in trade receivables was primarily attributable to increased sales. The increase of other receivables and prepayments was primarily attributable to increased valued added tax recoverable, deposits paid and other prepayments. The increase in derivative financial instruments was primarily attributable to an increase in the number of contracts outstanding at end of the period. The decrease in other payables and accruals was primarily attributable to a reduction in trade deposits received and decreases in other payables like freight charges. The decrease in inventories was primarily attributable to faster sales turnover. The decrease in trade payables was primarily attributable to settlement of trade payables at the end of the period.

Net cash (used in) from investing activities

Our cash from investing activities primarily consists of proceeds from sale of available-for-sales investment and property, plant and equipment. Our cash used in investing activities primarily consists of purchases of property, plant and equipment, increase in deposits paid for acquisition of property, plant and equipment and increase in pledged bank deposits.

For the financial year ended 31 March 2009, we had net cash used in investing activities of HK$88.4 million, primarily as a result of HK$86.4 million for purchases of property, plant and equipment, which pertained to the production capacity expansion at our Huizhou Daya Bay plant, deposits paid for lease premium of land of HK$4.5 million and an increase in pledged bank deposits of HK$3.5 million, partially offset by proceeds of HK$3.5 million from the disposal of available-for-sales investment, a capital refund of HK$1.6 million from a jointly controlled entity and proceeds of HK$1.7 million from disposal of property, plant and equipment.

For the financial year ended 31 March 2008, we had net cash used in investing activities of HK$196.3 million, primarily as a result of HK$170.3 million for purchases of property, plant and equipment, which pertained to the production capacity expansion at our Huizhou Daya Bay, an increase in deposits paid for acquisition of property, plant and equipment of HK$23.8 million and a capital contribution of HK$3.3 million to a jointly controlled entity, partially offset by proceeds of HK$1.0 million from disposal of property, plant and equipment.

For the financial year ended 31 March 2007, we had net cash used in investing activities of HK$129.5 million, primarily as a result of HK$129.1 million for purchases of property, plant and equipment, which pertained to the production capacity expansion at our Huizhou, Daya Bay plant, an increase in deposits paid for acquisition of property, plant and equipment of HK$834,000 and a capital contribution to an associate of HK$196,000, partially offset by proceeds from disposal of property, plant and equipment of HK$636,000.

For the six months ended 30 September 2009, we had net cash used in investing activities of HK$53.0 million, primarily as a result of HK$38.9 million for purchases of property, plant and equipment, which pertained to the production capacity expansion at our Huizhou, Daya Bay plant, an increase in deposits paid for acquisition of property, plant and equipment of HK$9.2 million and a loan to a jointly controlled entity of HK$5.0 million, partially offset by cash inflow from proceeds from disposal of property, plant and equipment of HK$53,000.

For the six months ended 30 September 2008, we had net cash used in investing activities of HK$49.1 million, primarily as a result of HK$51.3 million for purchases of property, plant and equipment, which pertained to the production capacity expansion at our Huizhou, Daya Bay plant, an increase in pledged bank deposits of HK$3.5 million, partially offset by a capital refund from a jointly controlled entity of HK$1.6 million, proceeds from disposal of available-for-sale investment of HK$3.5 million and proceeds from disposal of property, plant and equipment of HK$651,000.

Net cash from (used in) financing activities

For the financial year ended 31 March 2009, net cash used in financing activities was HK$41.8 million, primarily as a result of a decrease in trust receipt loans of HK$32.8 million, dividends paid during the year of HK$43.0 million, repayment to directors of HK$1.4 million and repayment of HK$73.6 million of bank loans, partially offset by HK$105.5 million in new bank loans and HK$3.4 million in advances from Directors. The new bank loans were drawn for the construction of our new office cum showroom in Huizhou Daya Bay.

For the financial year ended 31 March 2008, net cash from financing activities was HK$44.8 million, primarily as a result of HK$115.0 million of new bank loans and an increase in trust receipt loans of HK$1.6 million, partially offset by repayment of HK$36.5 million of bank loans and HK$35.8 million for the payment of a dividend during the year.

For the financial year ended 31 March 2007, net cash from financing activities was HK$119.2 million, primarily as a result of proceeds of HK$113.1 million from shares issued (less expenses), an increase in trust receipt loans of HK$30.1 million and HK$3.0 million of a new bank loan, partially offset by HK$22.6 million for the payment of a dividend during the year and repayment of HK$6.0 million of bank loans.

For the six months ended 30 September 2009, net cash from financing activities was HK$11.7 million, primarily resulting from a new bank loan of HK$60.0 million and director advances of HK$5.8 million, partially offset by HK$12.0 million for the payment of a dividend during the period and HK$38.5 million for repayment of bank loans.

For the six months ended 30 September 2008, net cash from financing activities was HK$32.7 million, primarily resulting from a new bank loan of HK$85.5 million and director advances of HK$3.0 million, partially offset by HK$25.2 million for the payment of a dividend during the period and repayment of HK$30.5 million in bank loans and trust receipt loans.

Statement of indebtedness

We have financed our operations primarily through cash flows from operations, loans from banks, related-party advances and proceeds from equity issuances. The tables below set forth our short-term and long-term borrowings as at the dates indicated.

	As of the financial year ended 31 March			As of the six months ended 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trust receipt loans (unsecured)	34,131	35,761	2,961	2,580
Trust receipt loans (secured)	–	–	–	–
Bank overdrafts (unsecured)	–	3,885	–	–
Bank loans (unsecured)	–	59,500	95,500	107,900
Bank loans (secured)	37,000	56,000	51,940	61,420
	71,131	155,146	150,401	171,900
Less: Current portion	(45,131)	(87,979)	(72,868)	(127,820)
Non-current portion	26,000	67,167	77,533	44,080
The effective interest rates paid were as follows:				
Trust receipt loans	5.8%	5.8%	6.8%	6.8%
Bank overdrafts	7.0%	7.0%	7.0%	7.0%
Bank loans	6.0%	5.9%	5.1%	2.8%

	As of the financial year ended 31 March			As of the six months ended 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Carrying Amount repayable:				
On demand within one year	45,131	87,979	72,868	127,820
More than one year, but not exceeding two years	8,000	48,333	64,407	44,080
More than two years, but not exceeding five years	18,000	18,834	13,126	–
	71,131	155,146	150,401	171,900
Less: Amount due within one year shown under current liabilities	(45,131)	(87,979)	(72,868)	(127,820)
Non-current liabilities	26,000	67,167	77,533	44,080

As of 31 January 2010, we had a total amount of approximately HK$810.0 million of banking facilities available to us, of which approximately HK$446.0 million was unutilised. Save as disclosed in the section entitled "Credit Facilities" below, there are no material financial covenants relating to our outstanding debts. To the best of the knowledge of our Directors, we were not in breach of any financial covenant during the Track Record Period.

As of 31 January 2010, we had an aggregate outstanding borrowings of approximately HK$165.7 million comprising (i) secured bank borrowings of approximately HK$31.2 million; (ii) unsecured bank borrowings of approximately HK$127.3 million; (iii) unsecured trust receipt loans of approximately HK$3.9 million; (iv) unsecured bank overdrafts of approximately HK$1.6 million; and (v) unsecured amounts due to Directors of approximately HK$1.7 million.

Contingent liabilities

During the financial year ended 31 March 2007 we had issued guarantees to various banks to secure general banking facilities of HK$318.0 million. The extent of the facilities utilised by our subsidiaries at 31 March 2007 amounted to HK$85.5 million. During the financial year ended 31 March 2008 we had issued guarantees to various banks to secure general banking facilities of HK$402.0 million. The extent of the facilities utilised by our subsidiaries at 31 March 2008 amounted to HK$179.5 million. During the financial year ended 31 March 2009 we had issued guarantees to various banks to secure general banking facilities of HK$460.0 million. The extent of the facilities utilised by our subsidiaries at 31 March 2009 amounted to HK$179.4 million. During the six months ended 30 September 2009 we had issued guarantees to various banks to secured general banking facilities of HK$630.5 million. The extent of the facilities utilised by our subsidiaries at 30 September 2009 amounted to HK$200.7 million.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Company for determining our indebtedness, did not have, at the close of business on 31 January 2010, any outstanding loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities, borrowings or other similar indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases, hire purchase commitments, guarantees or other material contingent liabilities.

Capital and contractual commitments

Capital commitments

We have entered into production facility construction contracts as well as equipment purchase agreements. We have also previously entered into contracts for the capital injection in an associate. The table below sets forth the total amount of our commitments as at the indicated dates.

	As of the financial year ended 31 March			As of the six months ended 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Contracted but not provided for in respect of:				
Acquisition of property, plant and equipment	72,621	5,175	20,845	24,957
Capital injection in a joint venture	9,900	–	–	–
Lease premium for land	–	–	–	48,856
	82,521	5,175	20,845	73,813

Our capital commitments contracted but not provided for in the financial statements decreased from HK$82.5 million as of the financial year ended 31 March 2007 to HK$5.2 million as of the financial year ended 31 March 2008 primarily due to completion of phase 2 expansion of our manufacturing plant in Huizhou Daya Bay, the PRC in 2008 and a capital injection of HK$9.9 million in a jointly controlled entity relating to expansion of manufacturing and trading of massage chairs business. Our capital commitments contracted but not provided for in the financial statements increased from HK$5.2 million as of the financial year ended 31 March 2008 to HK$20.8 million as of the financial year ended 31 March 2009 primarily due to further expansion of our manufacturing plant in Huizhou Daya Bay, the PRC and a capital injection in a joint venture. Our capital commitments contracted but not provided for in the financial statements increased from HK$20.8 million as of the financial year ended 31 March 2009 to HK$73.8 million as of the six months ended 30 September 2009 primarily due to further expansion of our manufacturing plant in Huizhou Daya Bay, the PRC.

Operating lease commitments

We lease a number of properties under non-cancellable operating leases. The table below sets forth our commitments for rental payment under non-cancellable operating leases as at the indicated dates.

	As of the financial year ended 31 March			As of the six months ended 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	23,902	26,596	45,166	44,646
In the second to fifth year inclusive	18,061	14,932	10,963	10,973
Over five years	1,200	–	–	–
	43,163	41,528	56,129	55,619

Credit facilities

In June 2007, Man Wah Macau executed a HK$70.0 million trade finance facility with Standard Chartered Bank. The borrowings under this facility originally accrued interest at 1.25% over the HIBOR, which was subsequently amended in October 2008 to increase the interest rate to 1.5% over the HIBOR. As security for the facility, we submitted a guarantee of HK$50.0 million. We also covenanted to maintain consolidated net worth of HK$248.0 million and a gearing ratio not to exceed 0.8. Additionally, Man Wah Macau must provide certain informational items. The facility was renewed on 26 August 2009 on substantially the same terms.

In March 2008, Man Wah Macau executed a HK$40.0 million facility with Hang Seng Bank to finance imports of goods and certain other activities. The borrowings under this facility originally accrued interest at a rate equal to 1.5% above the HIBOR for Hong Kong dollar transactions and the LIBOR for United States dollar transactions, which was subsequently raised to 1.65% over the HIBOR/LIBOR. To secure the facility, in addition to the HK$30.0 million guarantee that we submitted in connection with the original facility we submitted a guarantee of HK$10.0 million. We also covenanted to maintain consolidated tangible net worth of at least HK$250.0 million and a gearing ratio at or below 0.8, among other covenants.

In May 2008, Man Wah Industrial executed a HK$37 million revolving and term loan facility with Hang Seng Bank. Proceeds from the facility were used to fund the acquisition of property, plant and equipment and working capital requirements of Man Wah Industrial. The borrowings under this facility accrue interest, which is payable quarterly at a rate equal to 1.25% per annum over the HIBOR. The loan facility is subject to review in April annually and was renewed in July 2009. To secure the facility, we submitted a HK$40.0 million guarantee to Hang Seng Bank. Additionally, we and Man Wah Industrial must comply with certain covenants and undertakings, including among others, an undertaking requiring us to maintain a tangible net worth of at least HK$250.0 million and requiring Man Wah Industrial to comply with certain financial covenants and commit to a certain level of business with Hang Seng Bank. The final maturity date for this facility is 31 December 2012.

In July 2008, Man Wah Industrial executed a HK$74.0 million loan facility with Standard Chartered Bank (Hong Kong) Limited, comprising two term loans (Term Loan 1 and Term Loan 2), and a foreign exchange contract. Proceeds from Term Loan 1 and Term Loan 2 were used to fund the construction of phase 2 of our production facility and an office cum showroom building at our Huizhou Daya Bay Plant. Term Loan 1 and Term Loan 2 accrue interest at a rate equal to 1.5% and 2.25% over the HIBOR, respectively. To secure the facility, we submitted a HK$100.0 million guarantee to Standard Chartered Bank (Hong Kong) Limited. We also covenanted to maintain a gross total gearing below 0.8 and consolidated net worth of at least HK$600.0 million. The terms of Term Loan 1 require prepayment in 8 equal quarterly instalments to be completed by September 2010. The terms of Term Loan 2 require prepayment in 10 equal quarterly instalments commencing 9 months after drawdown. The facility was renewed on 6 April 2009 on substantially the same terms.

In October 2008, Man Wah Macau amended its facilities with The Hongkong and Shanghai Banking Corporation Limited ("HSBC"), dated October 2007, pursuant to which we increased the facility from HK$75.0 million to HK$95.0 million. The facility is comprised of various facilities for import loans. The borrowings under this facility originally accrued interest at 1.15% over the HIBOR/SIBOR, which was increased to a range of 1.65% to 1.9% over the HIBOR/SIBOR, depending on the import facility. The facility was subject to review 15 August 2009; however, HSBC has delayed renewal pending completion of the Global Offering. As security for the facility HSBC continued to hold a HK$110.0 million bill of exchange signed by Man Wah Macau Limited and we submitted a HK$110.0 million guarantee. We also covenanted to maintain a gross total gearing below 0.6, EBITDA over HK$150.0 million and tangible net worth over HK$500.0 million.

In November 2008, Man Wah Industrial executed a HK$65.0 million facility with HSBC comprising a term loan, machinery loan, revolving loan and certain other facilities to fund the acquisition of property, plant and equipment and working capital requirements. The borrowings under this facility accrue interest at a rate equal to 2.5% to 2.75% per annum over the HIBOR and are subjected to repayment quarterly. To secure the facility we submitted a HK$150.0 million guarantee to HSBC. We also covenanted to maintain a gross total gearing below 0.6, EBITDA over HK$150.0 million and tangible net worth over HK$500.0 million.

CAPITAL EXPENDITURES

Our capital expenditures are comprised of expenditures for land and buildings, plant and machinery, construction in progress and investments. Our capital expenditures for the financial years ended 31 March 2007, 2008 and 2009 and for the six months ended 30 September 2009 were HK$129.3 million, HK$174.4 million, HK$110.2 million and HK$39.6 million, respectively.

Our capital expenditures for the financial year ended 31 March 2007 related primarily to construction of manufacturing plant in Huizhou Daya Bay, the PRC.

Our capital expenditures for the financial year ended 31 March 2008 related primarily to construction of phase 2 expansion of manufacturing plant in Huizhou Daya Bay, the PRC.

Our capital expenditures for the financial year ended 31 March 2009 related primarily to the construction of an office cum showroom in Huizhou Daya Bay, the PRC.

For the six months ended 30 September 2009, our capital expenditures related primarily to the construction of an office cum showroom in Huizhou Daya Bay, the PRC.

Historically, we have funded our capital expenditures from internally generated cash, bank and other short-term borrowings and issuances of equity and debt securities.

The following table sets forth our capital expenditures for the periods indicated.

	As of the financial year ended 31 March			As of the six months ended 30 September
	2007	**2008**	**2009**	**2009**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Land and buildings	35,404	–	1,450	–
Leasehold improvements	9,391	21,699	8,985	3,271
Plant and equipment	15,017	43,482	36,549	11,125
Motor vehicles	3,726	6,802	4,801	2,446
Office equipment	3,269	1,567	6,382	1,440
Construction in progress	62,283	97,534	52,007	21,334
Investments	196	3,313	–	–
Others	–	–	–	–
Total	129,286	174,397	110,174	39,616

Planned capital expenditures

We plan to further increase our leather sofa production capacity in the PRC so that we have sufficient capacity to satisfy anticipated growth in demand for our products in the PRC and are better positioned to support sales in cities near the Yangtze River Delta. We purchased land use rights for 50 years to a piece of land in Wujiang, Jiangsu with a gross land area of 186,480 sq.m. for approximately RMB47.0 million (approximately HK$53.4 million) for construction of a new manufacturing facility. This new manufacturing facility will be state of art similar to our current facility in Huizhou Daya Bay. The new facility is expected to boost sofa production capacity by at least 300,000 sets annually and be ready for operation by the end of the financial year ending 31 March 2012. We will allocate HK$326.0 million of the proceeds of the Global Offering for the construction of this additional facility with the remaining HK$474.0 million to be funded with internal cash resources.

We also intend to accelerate the pace of our retail expansion in the PRC. We intend to increase the number of both Cheers and Enlanda specialty stores throughout major cities in the PRC in order to expand our retail presence with the goal of capturing increasing demand in the PRC and strengthening our position in the PRC sofa and bedding markets. We also intend to increase distribution of our sofa and bedding products in the PRC.

Further, we intend to invest in strengthening our brand names such as “Cheers” and “Enlanda” as they are pivotal to our business strategy and our future growth. We have engaged Ogilvy & Mather, as a brand consultant, to help refine our brand strategy. Our brand building efforts will include the following, among others: (1) increased newspaper and television advertising in our target markets to enhance brand awareness; (2) participation in trade fairs; and (3) increased efforts to protect our trademarks and other intellectual property rights, including registering our trademarks in additional countries in which we sell our products. We intend to spend about HK$100.0 million on our brand building efforts.

INVENTORIES

During the Track Record Period our inventories fluctuated as a result of fluctuation in raw materials prices, our expansion and improvements in inventory management. For the three years ended 31 March 2009 our average inventory days decreased primarily due to the adoption of just-in-time inventory management.

The table below sets forth a breakdown of our inventories as of the balance sheet dates indicated.

	As of the financial year ended 31 March			As of the six months ended 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Raw materials	131,234	149,346	88,837	126,147
Work-in-progress	14,256	20,734	17,446	21,981
Finished goods	40,211	62,056	108,457	115,089
Total	185,701	232,136	214,740	263,217

Our total inventories increased from HK$185.7 million as of the financial year ended 31 March 2007 to HK$232.1 million as of the financial year ended 31 March 2008 primarily due to our expansion and increases in market demand for our products. Our total inventories decreased to HK$214.7 million as of the financial year ended 31 March 2009, primarily due to improvements in inventory control partially offset by our expansion and increases in market demand for our products.

Our total inventories increased from HK$214.7 million as of the financial year ended 31 March 2009 to HK$263.2 million as of the six months ended 30 September 2009 primarily due to increases in finished goods that are in transit to end customers.

The following table sets forth our average inventory turnover days for the years indicated.

	As of the financial year ended 31 March			As of the six months ended 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Average inventory turnover (days)[1]	75	73	65	56

(1) Average inventory equals inventory at the beginning of the year/period plus inventory at the end of the year/period, divided by two. Average Inventory Turnover (in days) for the years ending 31 March equals average inventory divided by cost of goods sold for the relevant year and the multiplied by 365 days. Average inventory turnover days for the six months ended 30 September equals average inventory divided by cost of goods sold for such period and multiplied by 183 days.

The decrease in average inventory turnover days from 75 days for the financial year ended 31 March 2007 to 73 days for the financial year ended 31 March 2008 and to 65 days as of the financial year ended 31 March 2009 was primarily attributable to improvement in inventory control and reductions in inventory levels. The decrease in average inventory turnover days from 65 days for the financial year ended 31 March 2009 to 56 days for the six months ended 30 September 2009 was primarily attributable to improvements in inventory control.

TRADE RECEIVABLES

The table below sets forth a breakdown of our trade and bill receivables as of the balance sheet dates indicated.

	As of the financial year ended 31 March			As of the six months ended 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade and bill receivables	89,536	171,567	151,457	194,724
Less: Allowance for doubtful debts[1]	–	–	(3,059)	(2,875)
	89,536	171,567	148,398	191,849
Average trade and bill receivables turnover days	28	31	30	23

(1) Included in the allowance for doubtful debts for the financial year 31 March 2009 are specific trade receivables with a balance of HK$3.1 million, which were deemed unrecoverable. We do not hold any collateral over these balances.

(2) Average trade and bill receivables equal trade and bill receivables at the beginning of the year/period plus trade and bill receivables at the end of the year/period divided by two. Average trade and bill receivables turnover days for the years ending 31 March equal average trade and bill receivables divided by revenues for the relevant year and multiplied by 365 days. Average trade and bill receivables turnover days for the six months ended 30 September equals average trade and bill receivables divided by revenues for such period and multiplied by 183 days.

Our trade and bill receivables are derived primarily from the sale of our products. Our trade receivables increased from HK$89.5 million as of the financial year ended 31 March 2007 to HK$171.6 million as of the financial year ended 31 March 2008, which was primarily attributable to increased sales volumes. Our trade and bill receivables decreased from HK$171.6 million as of the financial year ended 31 March 2008 to HK$148.4 million as of the financial year ended 31 March 2009, which was primarily attributable to improved collection activities and allowance for doubtful debts. Our trade and bill receivables increased from HK$148.4 million as of the financial year ended 31 March 2009 to HK$191.8 million as of the six months ended 30 September 2009, which was primarily attributable to increased sales volumes and increased credit sales.

We generally do not experience collection problems with our customers. Our trade and bill receivables as a percentage of revenues were 10.1%, 11.1%, 7.6% and 14.5% for the financial years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009, respectively. The decrease of our trade and bill receivables as a percentage of our revenue from the financial year ended 31 March 2008 to the financial year ended 31 March 2009 was primarily attributable to our increased collection efforts and more stringent credit limits.

The table below sets forth an aging analysis of trade and bill receivables (net of allowance for doubtful debts) as of the balance sheet dates indicated.

	As of the financial year ended 31 March			As of the six months ended 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Within 30 days	60,031	116,843	79,172	95,704
More than 30 days and within 60 days	7,738	17,360	46,262	61,969
More than 60 days and within 90 days	10,390	23,584	17,503	19,038
More than 90 days	11,377	13,780	5,461	15,138
Total	89,536	171,567	148,398	191,849

Other than cash and credit card sales for retail transactions, we had a policy of allowing an average credit period of 30 to 60 days to our trade customers in 2007 and 2008 and amended the policy to allow an average credit period of 30 to 90 days in 2009. Before accepting any new customer, we assess the potential customer's credit quality and define its credit limits based on an investigation of historical credit records of these customers. Trade and bill receivables at the balance sheet dates mainly comprise amounts receivable from sales of our products. No interest is charged on the trade and bill receivables.

For the financial years ended 31 March 2007, 2008 and 2009, and the six months ended 30 September 2009, we had trade and bill receivables outstanding over 90 days amounting to HK$11.4 million, HK$13.8 million, HK$5.5 million and HK$15.1 million, respectively. The decrease in trade and bill receivables outstanding over 90 days from the financial year ended 31 March 2008 to the financial year ended 31 March 2009, was primarily attributable to increased collection efforts and more stringent credit limits.

For the financial years ended 31 March 2007, 2008 and 2009, and the six months ended 30 September 2009, we had trade and bill receivables outstanding more than 60 days but within 90 days amounting to HK$10.4 million, HK$23.6 million, HK$17.5 million and HK$19.0 million, respectively. The decrease in trade and bill receivables outstanding more than 60 days but within 90 days from the financial year ended 31 March 2008 to the financial year ended 31 March 2009, was primarily attributable to increased collection efforts and more stringent credit limits.

For the financial years ended 31 March 2007, 2008 and 2009, and the six months ended 30 September 2009, we had trade and bill receivables outstanding more than 30 days but within 60 days amounting to HK$7.7 million, HK$17.4 million, HK$46.3 million and HK$62.0 million, respectively. The increase in trade and bill receivables outstanding more than 30 days but within 60 days from the financial year ended 31 March 2008 to the financial year ended 31 March 2009, was primarily attributable to increased credit sales in the financial year ended 31 March 2009.

For the financial years ended 31 March 2007, 2008 and 2009, and the six months ended 30 September 2009, we had trade and bill receivables outstanding less than 30 days amounting to HK$60.0 million, HK$116.8 million, HK$79.2 million and HK$95.7 million, respectively. The decrease in trade and bill receivables outstanding less than 30 days from the financial year ended 31 March 2008 to the financial year ended 31 March 2009, was primarily attributable to increased credit sales in the financial year ended 31 March 2009 partially offset by increased collection efforts and more stringent credit limits.

Included in our trade and bill receivable balance are receivables with aggregate carrying amount of HK$23.6 million, HK$43.0 million, HK$19.2 million and HK$33.4 million for the financial years ended 31 March 2007, 2008 and 2009, and the six months ended 30 September 2009, respectively, which were past due at the reporting date for which we did not provide for impairment loss since there was not a significant change in credit quality. As at the Latest Practicable Date, we had settled trade receivables amounting to HK$190.1 million.

The table below sets forth the movement in our allowance for doubtful debts for the periods indicated.

	As of the financial year ended 31 March			As of the six months ended 30 September
	2007	**2008**	**2009**	**2009**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Balance at the beginning of period	–	–	–	3,059
Impairment losses recognised on trade receivables	26	846	3,641	1,190
Amounts written off as uncollectible	(26)	(846)	(582)	(1,374)
Balance at end of the year/period	–	–	3,059	2,875

Our provision policy for doubtful debts is based on the ongoing evaluation of collectability and aging analysis of the outstanding receivables and on management's judgement in assessing the ultimate realisation of these receivables, including creditworthiness and the past collection history of each customer. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. In addition, we make general provisions for doubtful debts on trade balances more than 180 days old amounting to 50% of such balances and more than 365 days amounting to 100% of such balances.

The table below sets forth our other receivables and prepayments as at the dates indicated[(1)].

	As of the financial year ended 31 March			As of the six months ended 30 September
	2007	**2008**	**2009**	**2009**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**
Value added taxes recoverable	17,599	44,306	21,215	26,256
Deposits	6,431	16,420	10,808	12,117
Sundry receivables	3,957	8,050	7,637	10,482
Prepayments	1,366	3,939	8,971	8,538
Amount due from a jointly controlled entity[(2)]	–	–	1,890	1,890
	29,353	72,715	50,521	59,283

(1) For the financial years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009, the Company had HK$79.8 million, HK$20.3 million, HK$15.3 million and HK$13.2 million due from its various subsidiaries, which are unsecured, interest-free and repayable on demand.

(2) The amounts due from a jointly controlled entity are unsecured, interest-free and expected to be recoverable within 12 months.

Our other receivables increased from HK$29.4 million for the financial year ended 31 March 2007 to HK$72.7 million for the financial year ended 31 March 2008, primarily due to increases in value added taxes recoverable, deposits and sundry receivables. Our other receivables decreased from HK$72.7 million for the financial year ended 31 March 2008 to HK$50.5 million for the financial year ended 31 March 2009, primarily due to decreases in value-added taxes recoverable and deposits, partially offset by an increase in prepayments and amount due from a jointly controlled entity. Our other receivables increased from HK$50.5 million for the financial year ended 31 March 2009 to HK$59.3 million for the six months ended 30 September 2009, which was primarily attributable to increased value added taxes recoverable, deposits and sundry receivables, partially offset by a decrease in prepayments.

TRADE AND OTHER PAYABLES AND ACCRUALS

The table below sets forth a breakdown of our trade payables as of the balance sheet dates indicated.

	As of the financial year ended 31 March			As of the six months ended 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade and bills payables	71,111	130,793	116,218	215,311
Average trade payables turnover days	26	36	36	39

Our outside parties' trade payables are derived primarily from purchases of raw materials. Our trade payables represent amounts payable in connection with the purchase of materials necessary for our production and other raw materials from various suppliers. Our suppliers typically grant us credit terms ranging from 30 to 60 days from the invoice date with respect to our trade payables. Our trade payables were HK$71.1 million, HK$130.8 million, HK$116.2 million and HK$215.3 million as of the financial years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009, respectively. As of the financial years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009, our trade payables as a percentage of our cost of goods sold were 11.0%, 12.4%, 9.2% and 27.7%, respectively. The increase in our trade payables as a percentage of our cost of goods sold from the financial year ended 31 March 2007 to the financial year ended 31 March 2008 was mainly due to increased credit purchases. The decrease in our trade payables as a percentage of our cost of goods sold from the financial year ended 31 March 2008 to the financial year ended 31 March 2009 was mainly due early settlement of trade payables. The increase in our trade payables as a percentage of our cost of goods sold from the financial year ended 31 March 2009 to the six months ended 30 September 2009 was mainly due to increased credit purchases. With respect to our HK$215.3 million of trade payables which was outstanding as of the six months ended 30 September 2009, the amount had been fully settled by the Latest Practicable Date.

Our average trade payables turnover days increased from 26 days as of the financial year ended 31 March 2007 to 36 days as of the financial year ended 31 March 2008, primarily due to increased credit purchases in the financial year ended 31 March 2008. Our average trade payables turnover days remained static from the financial year ended 31 March 2008 to the financial year ended 31 March 2009. Our average trade payables turnover days increased from 36 days as of the financial year ended 31 March 2009 to 39 days as of the six months ended 30 September 2009 primarily due to increased credit purchases for the six months ended 30 September 2009.

The table below sets forth our other payables and accruals as at the dates indicated[1].

	As of the financial year ended 31 March			As of the six months ended 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade deposits received	30,216	34,161	53,913	89,538
Accruals	28,933	64,057	49,481	81,746
Amount due to a jointly controlled entity	–	3,969	–	–
Amount due to an associate	441	–	–	–
Amount due to a related party	1,709	–	–	–
Others	562	4,198	8,852	1,955
	61,861	106,385	112,246	173,239

(1) For the financial years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009, the Company had HK$484,000, HK$723,000, HK$751,000 and HK$12.6 million in accruals owed its various subsidiaries, which are unsecured, interest-free and repayable on demand.

Our other payables increased from HK$61.9 million for the financial year ended 31 March 2007 to HK$106.4 million for the financial year ended 31 March 2008, primarily due to increases in accruals. Our other payables increased from HK$106.4 million for the financial year ended 31 March 2008 to HK$112.2 million for the financial year ended 31 March 2009, primarily due to increases in trade deposits received and other payables, partially offset by a decrease in accruals. Our other receivables increased from HK$112.2 million for the financial year ended 31 March 2009 to HK$173.2 million for the six months ended 30 September 2009, which was primarily attributable to increases in accruals, trade deposits received and other payables.

PLEDGED BANK BALANCES

We had pledged bank balances of HK$0, HK$0, HK$3.5 million and HK$3.5 million as of the financial years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009, respectively. We pledged bank balances of HK$3.5 million as of the financial year ended 31 March 2009 and the six months ended 30 September 2009 to secure banking facilities.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any outstanding derivative financial instruments or off-balance sheet guarantees. We do not engage in trading activities involving non-exchange traded contracts.

DIVIDEND POLICY

We declared and paid dividends of HK$22.6 million, HK$35.8 million, HK$43.0 million, HK$25.2 million and HK$12.0 million for the financial years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009, respectively. We also declared and paid dividends of HK$268.4 million in November 2009.

The recommendation of the payment of dividends is subject to the discretion of the Board, and, after the Listing, any declaration of a final dividend for the year will be subject to the approval of the Shareholders. For the avoidance of doubt, the holders of Offer Shares will not be entitled to any of the aforesaid dividends.

Our Directors may recommend a payment of dividends in the future after taking into account our operations, earnings, financial condition, cash requirements and availability, capital expenditure and future development requirements and other factors as they may deem relevant at such time. Any declaration and payment as well as the amount of a dividend will be subject to our constitutional documents and the Companies Act and, in addition, the declaration of a final dividend is subject to the approval of our Shareholders of our Company. Any future declarations of dividends may or may not reflect our historical declarations of dividends and will be at the absolute discretion of our Directors.

Our Directors currently intend to recommend a distribution to all Shareholders in an amount representing not less than 25% of the distributable net profit attributable to the equity holders of our Company in each of the financial years following the Global Offering (that is, for the avoidance of doubt, for 2010 and thereafter) by way of dividends. However, there can be no assurance that we will have distributable net profit from which to pay dividends in the future or that payment of such dividends will be approved by our Shareholders.

Any dividend declared will be paid in Hong Kong dollars with respect to our Shares on a per share basis. Our Directors believe that our dividend policy mentioned above will not adversely affect our working capital position.

Future dividend payments will also depend upon the availability of dividends received from our subsidiaries. Distributions from our subsidiaries may also be restricted to the extent that our subsidiaries incur debt or losses or pursuant to any restrictive covenants in bank credit facilities, convertible bond instruments or other agreements that we or our subsidiaries and associated companies may enter into in the future.

There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any of our plans or at all. Our dividend distribution record in the past may not be used as a reference or basis to determine the level of dividends that may be declared or paid by us in the future.

DISTRIBUTABLE RESERVES

We had distributable reserves of HK$739.4 million available for distribution to our Shareholders as of 30 September 2009.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Currency risk

Our exposure to currency risk attributable to trade and other receivables, bank balances, trade and other payables and bank loans, which are denominated in currencies other than the functional currency of the entity to which they relate (mainly Hong Kong dollars and United States dollars), are disclosed in the notes to our financial statements. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Since the Hong Kong dollar is pegged to United States dollar, we do not expect any significant movements in Hong Kong dollar/United States dollar exchange rate. We do engage in certain forward currency exchange contracts with respect to the US dollar and RMB. See the section entitled "Liquidity Risk" below for a description of these activities.

Interest rate risk

We are exposed to interest rate risk arising from the volatility of benchmark interest rates in United States dollars, as a majority of our bank loans, trust receipts loans and cash and cash equivalents are on a floating rate basis. We generally do not take a speculative view on the movement of interest rates and, therefore, do not actively hedge exposed risks through interest rate derivative instruments.

Our exposure to interest rate risks on our variable-rated borrowing is limited. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates. The effect of a 50 basis point change in interest rate, with all other variables held constant, would not have had a significant effect on our profit for each of the three years ended 31 March 2009 or six months ended 30 September 2009.

Credit risk

Credit risk refers to the risk that we will suffer loss if our debtors default on their obligations to repay the amounts owing to us. We have adopted procedures in extending credit terms to customers and in monitoring their credit risk.

Our current credit practices include assessing customers' credit reliability and periodically reviewing their financial status to determine credit limits to be granted. Our credit risk on liquid funds is limited because our counterparties are banks, which are reputable in the opinion of management. The maximum exposure to credit risk in the event that counterparties fail to perform their obligations as at end of the financial year in relation to each class of recognised financial assets is the carrying amount of those assets as stated in our balance sheets.

We do not have significant concentrations of credit risk because exposure is spread over a large number of counterparties and customers.

Liquidity risk

We are exposed to minimal liquidity risk as a substantial portion of our financial assets and financial liabilities are due within one year and we can finance our operations from existing Shareholders' funds and internally generated cash flows. We monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance our operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings.

The following tables detail our contractual maturity for our financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which we can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2007							
Non-derivative financial liabilities							
Trade and other payables	–	51,842	21,981	–	–	73,823	73,823
Amounts due to directors	–	3,082	–	–	–	3,082	3,082
Bank borrowings-variable rate	5.95	14,252	21,879	9,000	27,547	72,678	71,131
		69,176	43,860	9,000	27,547	149,583	148,036
As at 31 March 2008							
Non-derivative financial liabilities							
Trade and other payables	–	104,734	33,343	883	–	138,960	138,960
Amounts due to directors	–	3,570	–	–	–	3,570	3,570
Bank borrowings-variable rate	5.84	–	45,341	42,638	71,090	159,069	155,146
		108,304	78,684	43,521	71,090	301,599	297,676
Derivatives – net settlement							
Foreign currency forward contracts (liabilities)		2,554	8,677	4,920	–	16,151	31,013
Derivatives – gross settlement							
Foreign currency forward contracts (assets)							
– inflow		(39,000)	(156,000)	(491,400)	–	(686,400)	
– outflow		39,558	155,417	471,780	–	666,755	
		558	583	(19,620)	–	(19,645)	

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 31 March 2009
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2009							
Non-derivative financial liabilities							
Trade and other payables	–	42,025	83,045	–	–	125,070	125,070
Amounts due to directors	–	5,554	–	–	–	5,554	5,554
Bank borrowings-variable rate	5.10	–	13,021	59,847	81,487	154,355	150,401
		47,579	96,066	59,847	81,487	284,979	281,025
Derivatives-net settlement							
Foreign currency forward contracts		–	–	422	–	422	464
Derivatives – gross settlement							
Foreign currency forward contracts (liabilities)							
– inflow		(81,653)	(249,901)	(133,250)	–	(464,804)	
– outflow		85,800	257,400	132,600	–	475,800	
		4,147	7,499	(650)	–	10,996	13,569
Foreign currency forward contracts (assets)							
– inflow		–	–	(78,000)	–	(78,000)	
– outflow		–	–	77,598	–	77,598	
		–	–	(402)	–	(402)	

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount at 30 September 2009
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 30 September 2009							
Non-derivative financial liabilities							
Trade and other payables	–	108,022	109,244	–	–	217,266	217,267
Amounts due to directors	–	7,737	–	–	–	7,737	7,737
Bank borrowings-variable rate	2.51	6,560	10,458	112,747	45,185	174,950	171,900
		122,319	119,702	112,747	45,185	399,953	396,903
Derivatives-net settlement							
Foreign currency forward contracts		–	–	5,134	–	5,134	3,054
Derivatives – gross settlement							
Foreign currency forward contracts (liabilities)							
– inflow		(15,600)	(93,600)	–	–	(109,200)	
– outflow		15,603	94,979	–	–	110,582	
		3	1,379	–	–	1,382	2,387
Foreign currency forward contracts (assets)							
– inflow		–	(132,600)	(694,200)	–	(826,800)	
– outflow		–	131,693	692,753	–	824,446	
		–	(907)	(1,447)	–	(2,354)	

We enter into foreign exchange forward contracts to offset the margin pressures arising from appreciation of RMB against the U.S. Dollar due to the fact that a substantial portion of our sales are denominated in U.S. Dollars while a majority of our costs are denominated in RMB. Although the exchange rate between RMB and the U.S. Dollar is no longer pegged, fluctuations are still subject to some control by the PRC government. Due to this government control, banks in the PRC have a more conservative view with respect to future appreciation of RMB against the U.S. Dollar as compared to banks in non-controlled markets such as Hong Kong. Accordingly, rates for foreign exchange forward contracts for U.S. Dollars against RMB in Hong Kong, where faster appreciation of RMB against U.S. Dollars is expected, are lower than the rates offered by PRC banks, providing an opportunity for arbitrage.

We capitalise on this opportunity by entering into foreign exchange forward contracts to buy U.S. Dollars for RMB in Hong Kong and opposite transactions for the same amounts and with the same maturity dates to sell U.S. Dollars for RMB in the PRC. Since the RMB is a controlled currency, no delivery of RMB is required under the Hong Kong contracts, rather there is a book settlement with any gains or losses paid in U.S. Dollars. In contrast, U.S. Dollars must be delivered on the PRC contracts, but we are in a position to deliver U.S. Dollars given our need to convert U.S. Dollars received from sales to RMB to pay expenses.

Currently, we are party to a foreign exchange forward contract with The Hongkong and Shanghai Banking Corporation Limited to buy US$1,000,000 at a forward rate of 6.745. This contract has a term of one year and a settlement date of 29 September 2010, but will be settled at the value on the valuation date of 27 September 2010. The notional amount in Renminbi is RMB6,745,000 and the notional amount in U.S. Dollars is US$1,000,000.

We are also parties to an opposite foreign exchange forward contract with Agricultural Bank of China, PRC to sell US$1,000,000 at a forward rate of 6.8161. This contract has a term of one year and a settlement date of 27 September 2010. The reference notional amount in U.S. Dollars is US$1,000,000 and the notional amount in Renminbi is RMB6,816,100. On settlement of these two contracts we will have a gain of RMB71,100.

We only enter into foreign exchange forward contracts when there is an opposing transaction for the same amount with the same maturity date such that we can determine our gain at the outset. Without two opposing transactions, we would be subject to foreign exchange fluctuations, but with two opposing contracts our gain is based on the spread between the two contract rates. Thus, the financial effect of exchange rate fluctuations is cancelled out. Further, we have several policies and internal controls in place to monitor and mitigate potential risks related to these transactions, including policies to ensure that there are always two opposing transactions. Our Managing Director evaluates and approves our forward contract exposure limit for each settlement month on a quarterly basis and the amount approved must be less than a conservative estimate of our monthly proceeds from export sales, thus, ensuring that we always have sufficient U.S. Dollars to deliver on settlement. The current monthly forward contract exposure limit approved by our Managing Director is US$12,000,000 per month. We also require a minimum variance of 300 basis points between the two forward rates before entering into any foreign currency forward contracts.

Our Finance Director evaluates and approves all foreign exchange forward contracts prior to execution and ensures that the contracts are for the same amounts and have identical settlement dates. Our Finance Director then segregates responsibility for negotiating the contracts in Hong Kong and the PRC among different members of the accounting team to provide a check and balance as multiple individuals are tasked with confirming the terms of the opposing transactions. Immediately following execution and delivery all foreign exchange forward contracts are collated and checked to ensure compliance. We also monitor the foreign exchange forward transactions by reviewing the marked-to-market report on all outstanding contracts that we receive from the respective banks on a monthly basis. Additionally, we limit the risk of over trading through limitations on credit lines at the respective PRC and Hong Kong banks.

PROPERTY VALUATION

DTZ Debenham Tie Leung Limited, an independent property valuer, has valued our property interests, including land use rights as of 31 January 2010 at RMB515,972,000 (approximately HK$586,332,000). The texts of its letter, summary of valuation and valuation certificates are set out in Appendix IV to this prospectus.

A reconciliation of the property interests of our Group from our audited combined financial information as at 30 September 2009 and the valuation of such property interests as at 31 January 2010, as required under Rule 5.07 of the Hong Kong Listing Rules is set out below.

	in thousands of RMB	in thousands of HKD (approximate)
Net book value of property interests of our Group as of 30 September 2009	304,053	345,515
Movements for the four months ended 31 January 2010		
Additions	48,873	55,537
Depreciation	(1,880)	(2,136)
Disposal	–	–
Net book value as of 31 January 2010	351,046	398,916
Valuation surplus as of 31 January 2010	164,926	187,416
Capital value of property interests in existing state as of 31 January 2010 per Appendix IV – Property Valuation	515,972	586,332

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as of 30 September 2009 as if the Global Offering had taken place on 30 September 2009.

This statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 September 2009 or at any future dates following the Global Offering. It is prepared based on the consolidated net tangible assets of the Group as at 30 September 2009 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below.

	Audited consolidated net tangible assets attributable to equity holders of the Company as of 30 September 2009(1)	Estimated net proceeds from the issue of Offer Shares(2)	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company(3)	Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per Share(4)
	HK$ million	HK$ million	HK$ million	HK$
Based on the Offer Price of HK$8.50 per Offer Share	1,051	1,919	2,970	3.08
Based on the Offer Price of HK$11.80 per Offer Share	1,051	2,673	3,724	3.86

(1) The audited consolidated net tangible assets attributable to equity holders of the Company as at 30 September 2009 is arrived at after deducting the goodwill as of 30 September 2009 as set out in the Accountants' Report in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK$8.50 and HK$11.80, respectively per Offer Share, assuming no exercise of the Over-allotment Option, after deduction of underwriting fees and estimated expenses payable by the Group in connection with the Global Offering.

(3) By comparing the valuation of our property interests as set out in Appendix IV to this prospectus and the unaudited net book value of these properties as of 31 January 2010, the valuation surplus was approximately RMB164,926,000 (approximately HK$187,416,000) . The valuation surplus of the property interests will not be incorporated in the consolidated financial statements for the year ending 31 March 2010. If the valuation surplus were to be included in the consolidated financial statements, an additional annual depreciation charge of approximately RMB3,700,000 (approximately HK$4,205,000) would be incurred.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per Share is based on a total of 965,088,000 Shares expected to be in issue immediately after the completion of the Global Offering without taking into account any Shares that may be issued upon exercise of the Over-allotment Option or upon any exercise of any options that may be granted under the Share Option Scheme.

(5) A dividend of HK$0.4028 per share amounting to HK$268,400,000 was declared and paid to the shareholders in November 2009 which has not been taken into account in the above computation of unaudited pro forma adjusted consolidated net tangible assets.

Details of the valuation of our properties as of 31 January 2010 are set forth in Appendix IV to this prospectus.

PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2010

The following sets forth certain unaudited profit forecast data for the financial year ending 31 March 2010. Please refer to "Appendix III – Profit Forecast" for further details.

Forecast consolidated net profit attributable to equity holders of the Company[1]	not less than HK$593 million
Unaudited forecast basic earnings per Share[2]	not less than HK$61 cents

Notes:

(1) The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus.

(2) The calculation of forecast basic earnings per Share for the year ending 31 March 2010 is based on the forecast consolidated net profit attributable to equity holders of the Company for the financial year ending 31 March 2010 and an assumption of a total of 965,088,000 Shares in issue during the entire year without taking into account any Shares that may be issued upon exercise of the Over-allotment Option, or upon any exercise of any options that may be granted under the Share Option Scheme.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that there has been no material adverse change in our financial or trading position since 30 September 2009 (being the date of our latest audited consolidated balance sheet).

DISCLOSURE REQUIRED UNDER THE HONG KONG LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Hong Kong Listing Rules.

FUTURE PLANS

Please see the section entitled "Business – Our Strategies" in this prospectus for a detailed description of our future plans.

USE OF PROCEEDS

We estimate that the aggregate net proceeds from the Global Offering (after deducting underwriting fees and estimated expenses in connection with the Global Offering payable by us and assuming that the Over-allotment Option is not exercised and an Offer Price of HK$10.15 per Offer Share, being the mid-point of the indicative offer price range stated in this prospectus) will be approximately HK$2,296 million. We currently intend to apply such net proceeds for the following purposes:

- approximately 17.7%, or HK$406.4 million, for the expansion of our retail presence in the PRC by establishing 25 stand-alone furniture outlets starting with the operation of the first of such outlets in Wuhan, Hubei;
- approximately 17.7%, or HK$406.4 million, for establishing a production and/or distribution centre in a city with high population density in northern PRC to improve access to inner regions of the PRC. We are in the process of securing a suitable location for this new centre;
- approximately 14.2%, or HK$326.0 million, for the construction of a new 300,000 sofa sets per annum production and distribution facility in Wujiang, Jiangsu (expected to be in operation by 31 March 2012) to better service our retail operations in cities near the Yangtze River Delta with the remaining HK$474.0 million to be funded with internal cash resources;
- approximately 14.2%, or HK$326.0 million, for the expansion of our retail network in the PRC to approximately 1,000 "Cheers" and "Enlanda" specialty stores in existing and new cities in the PRC by setting up new self-operated specialty stores and entering into distribution agreements with new distributors;
- approximately 14.2%, or HK$326.0 million, for the construction of Phase 3 of our Huizhou facility which will increase our sofa production capacity by approximately 300,000 sofa sets per annum and construction of which is expected to be completed by the end of the financial year ending 31 March 2011;
- approximately 10.6%, or HK$243.4 million, to increase our marketing and advertising efforts to strengthen our brand through (1) increased newspaper and television advertising in our target markets, (2) participation in trade exhibitions in the PRC and overseas and (3) increased efforts to protect our intellectual property, including registering trademarks in additional countries in which we sell our products;
- approximately 3.5%, or HK$80.4 million, to repay our existing debts due and payable in the next 12 months. Upon Listing, we will determine the priority of loans to be repaid based on the maturity dates of existing banking facilities and interest rates. Please see the section entitled "Financial Information – Credit Facilities" for details of the uses of these loans and the interest rates thereon; and

- approximately 7.9%, or HK$181.4 million, for our working capital and funding for potential strategic acquisitions. Our current plan is to acquire furniture-related assets or businesses that are related or complementary to our own business, however, we have not at this stage entered into any legally binding agreement or arrangement with respect to any such acquisition.

To the extent our net proceeds are less than expected, we will reduce the intended use of proceeds in respect of the construction of the production and distribution facility in Wujiang and finance the additional shortfall with internal cash resources.

Any additional net proceeds that we would receive from any exercise at any price within the stated offer price range, in full or in part, of the Over-allotment Option and any additional net proceeds will be applied first towards the construction of the production and distribution facility in Wujiang, Jiangsu followed by working capital and funding for potential strategic acquisitions.

To the extent that our net proceeds are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit the net proceeds into short-term interest bearing deposits and/or money market instruments.

We estimate that the net proceeds from the sale of the Sale Shares by the Selling Shareholders from the Global Offering (assuming that the Over-allotment Option is not exercised and an Offer Price of HK$10.15 per Offer Share, being the mid-point of the indicative offer price range stated in this prospectus) will be approximately HK$487.2 million. We will not receive any of the proceeds from the sale of the Sale Shares by the Selling Shareholders.

HONG KONG UNDERWRITERS

Sponsor and Lead Manager

Macquarie Capital Securities Limited

Co-Lead Managers (in alphabetical order)

CAF Securities Company Limited
Samsung Securities (Asia) Limited
UOB Asia (Hong Kong) Limited

Co-Managers (in alphabetical order)

CIMB Securities (HK) Limited
Guotai Junan Securities (Hong Kong) Limited
Mizuho Securities Asia Limited
Oriental Patron Securities Limited
OSK Securities Hong Kong Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offer

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering 28,927,200 Hong Kong Offer Shares for subscription by the public in Hong Kong on, and subject to, the terms and conditions set out in this prospectus and the Application Forms.

Subject to:

(a) the Listing Committee of the Hong Kong Stock Exchange granting listing of, and permission to deal in, our Shares in issue and to be issued as mentioned in this prospectus (including an additional 36,190,800 Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option) and such listing and permission not subsequently being revoked; and

(b) certain other conditions set out in the Hong Kong Underwriting Agreement (including but not limited to the Offer Price being agreed upon between us (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (on behalf of the Underwriters),

the Hong Kong Underwriters have agreed severally, and not jointly, to subscribe for, or procure subscribers for, the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offer, on the terms and conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between us (for ourselves and on behalf of the Selling Shareholders), and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed.

The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement being signed and becoming unconditional.

Grounds for termination

The Sole Global Coordinator (on behalf of the Hong Kong Underwriters) may, by notice to us and the Controlling Shareholders, terminate the Hong Kong Underwriting Agreement at its sole discretion if, prior to 8:00 a.m. on the Listing Date:

(a) there develops, occurs, exists or comes into effect:

(i) any change or development involving a prospective change, or any event or series of events resulting in or representing a change or development involving a prospective change, in local, national, regional or international financial, political, military, industrial, economic, fiscal, regulatory, currency or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets investment and credit markets and inter-bank markets, a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or a revaluation of the Renminbi or Hong Kong dollars against any foreign currencies respectively) in or affecting Hong Kong, China, the United States, the United Kingdom, the European Union, Japan, Bermuda or any other jurisdiction considered by the Sole Global Coordinator to be relevant (each a "Relevant Jurisdiction"); or

(ii) any new law or regulation or any change or development involving a prospective change in existing law or regulation, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting any Relevant Jurisdiction; or

(iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs (whether or not covered by insurance), fire, explosion, flooding, earthquake, epidemics, pandemics, outbreaks of infections, diseases, civil commotion, economic sanction, public disorder, social or political crisis, acts of war, acts of terrorism (whether or not responsibility has been claimed), acts of God, accident or interruption or delay in transportation) in or affecting any Relevant Jurisdiction; or

(iv) any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) or other state of emergency or calamity or crisis in or affecting any Relevant Jurisdiction; or

(v) (A) any suspension or limitation on trading in shares or securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, Tokyo, Hong Kong, China or Bermuda, declared by the relevant authorities, or a disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or

(vi) any change or development involving a prospective change in Taxation (as defined in the Hong Kong Underwriting Agreement) or exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar against any foreign currency) in any Relevant Jurisdiction adversely affecting an investment in the Shares; or

(vii) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for any Relevant Jurisdiction; or

(viii) any litigation, legal action, or claim being threatened or instigated against any member of our Group; or

(ix) the commencement by any governmental, law enforcement agency, regulatory or political body or organisation of any action against a Director (other than a non-executive and independent non-executive Director) or any member of our Group or a formal announcement by any governmental, law enforcement agency, regulatory or political body or organisation that it intends to take any such action; or

(x) a Director (other than a non-executive and independent non-executive Director) being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or

(xi) the chairman or chief executive officer of our Company vacating his/her office; or

(xii) a contravention by any member of our Group of the Hong Kong Listing Rules or applicable laws; or

(xiii) a prohibition on us for whatever reason from offering, allotting or selling the Offer Shares pursuant to the terms of the Global Offering; or

(xiv) non-compliance of this prospectus (or any other documents used in connection with the contemplated subscription and sale of the Shares) or any aspect of the Global Offering with the Hong Kong Listing Rules or any other applicable laws or regulation by us; or

(xv) the issue or requirement that we issue of any supplement or amendment to this prospectus (or to any other documents used in connection with the contemplated subscription and sale of the Shares) pursuant to the Companies Ordinance or the Hong Kong Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC;

which, in any such case (individually or in the aggregate) and in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriters),

(1) is or will be or could be expected to have a material effect on the business or financial or trading position or prospects of our Group as a whole; or

(2) has or will have or could be expected to have a material adverse effect on the success of the Global Offering and/or the level of applications under the Hong Kong Public Offer or the level of interest under the International Offering; or

(3) make it impracticable, inadvisable or inexpedient: (1) for any part of the Hong Kong Underwriting Agreement to be performed in accordance with its terms; (2) for the Hong Kong Public Offer and/or the Global Offering to proceed or to market the Global Offering; or (3) to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(b) there has come to the notice of the Sole Global Coordinator or any of the Hong Kong Underwriters after the date of the Hong Kong Underwriting Agreement:

(i) that any statement contained in this prospectus, the Application Forms, the formal notice or any announcements or advertisements issued by or on behalf of us in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect or misleading in any material respect, or that any estimates, forecasts, expressions of opinion, intention or expectation expressed in this prospectus, the Application Forms, the formal notice or any advertisements or announcements issued by us in connection with the Hong Kong Public Offer (including any supplement or amendment thereto) are not fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) that any matter has arisen or has been discovered that would, had it arisen or been discovered immediately before the date of this prospectus and not been disclosed in this prospectus, constitute a material omission therefrom; or

(iii) that any of the representations and warranties given by us or the Controlling Shareholders in the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, is (or would when repeated be) untrue or misleading; or

(iv) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section entitled "Risk Factors" in this prospectus which would have a material and adverse effect on our Group taken as a whole; or

(v) an order or petition for the winding up of any member of our Group (other than an ongoing voluntary winding up of Huizhou Ao Li) or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group (other than an ongoing voluntary winding up of Huizhou Ao Li) or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group which would have a material and adverse effect on our Group taken as a whole; or

(vi) a valid demand by any creditor for repayment or payment of any of our indebtedness or in respect of which we or any member of our Group is liable prior to its stated maturity and which demand has or could reasonably be expected to have a material adverse effect on our Group taken as a whole; or

(vii) any event, act or omission which gives or is likely to give rise to any liability to us or the Controlling Shareholders pursuant to the indemnities that we and the Controlling Shareholders give under the Hong Kong Underwriting Agreement; or

(viii) any breach of any of our or the Controlling Shareholders' obligations or undertakings under the Hong Kong Underwriting Agreement or the International Underwriting Agreement, as applicable, which, in the sole and absolute discretion of the Sole Global Coordinator has a material adverse effect on the Global Offering; or

(ix) any change or development involving a prospective change in the assets, liabilities, performance, business operations, financial condition earnings, trading position or prospects of our Group when taken as a whole which would have a material and adverse effect on the Group taken as a whole; or

(x) any breach of, or any event rendering untrue or incorrect, any of the warranties (as defined in the Hong Kong Underwriting Agreement); or

(xi) the granting of an approval by the Listing Committee of listing of, and permission to deal in, the Shares in issue and the Shares to be offered under the Global Offering, and any Shares which may be issued upon the exercise of options granted pursuant to the Share Option Scheme (either unconditionally or subject only to allotment of the Shares and despatch of the share certificates in respect thereof and other normal requirements to file documents after allotment and issue of those Shares) (the "Admission") is refused or not granted on or before the Listing Date, or if granted, the Admission is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or

(xii) we withdraw this prospectus (and any other documents used in connection with the contemplated subscription and sale of the Shares) or the Global Offering.

Undertakings given to the Hong Kong Stock Exchange pursuant to the Hong Kong Listing Rules

By us

We have undertaken to the Hong Kong Stock Exchange that we shall not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to issue any such Shares or securities within six months from the date on which Shares first commence dealing on the Hong Kong Stock Exchange (whether or not such issue of Shares will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules.

By our Controlling Shareholders

Pursuant to Rule 10.07 of the Hong Kong Listing Rules, our Controlling Shareholders have undertaken to us and to the Hong Kong Stock Exchange that except pursuant to the Global Offering, the Over-allotment Option or the Stock Borrowing Agreement, they shall not, and shall procure that the relevant registered holders shall not:

(a) in the period commencing on the date by reference to which disclosure of their respective shareholdings in our Company is made in this prospectus and ending on the date which is six months from the Listing Date (the "First Period"), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our securities that they are shown to beneficially owned by this prospectus (the "Relevant Shares"); or

(b) in the period of a further six months commencing on the date on which the First Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Relevant Shares if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, they will cease to be our controlling shareholder (as defined in the Hong Kong Listing Rules).

Our Controlling Shareholders have further undertaken to us and the Hong Kong Stock Exchange that, within the period commencing on the date by reference to which disclosure of their respective shareholdings in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, they or the relevant registered holders will:

(a) when they pledge or charge any securities in our Company beneficially owned by them in favour of an authorised institution pursuant to Note (2) to Rule 10.07(2) of the Hong Kong Listing Rules, immediately inform us in writing of such pledge or charge together with the number of our securities so pledged or charged; and

(b) when they receive indications, either verbal or written, from the pledgee or chargee that any of our pledged or charged securities beneficially owned by them will be disposed of, immediately inform us in writing of such indications.

We will also inform the Hong Kong Stock Exchange as soon as we have been informed of the matters mentioned in the paragraphs (a) and (b) above by our Controlling Shareholders and subject to the then requirements of the Hong Kong Listing Rules disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Hong Kong Listing Rules as soon as possible.

Undertakings pursuant to the Hong Kong Underwriting Agreement

Undertakings by us

We have undertaken with each of the Sole Global Coordinator, the Sole Sponsor and the Hong Kong Underwriters that except pursuant to the Global Offering we will not, and will procure that our subsidiaries will not, without the prior written consent of the Sole Global Coordinator (on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the Hong Kong Listing Rules, at any time during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on the date which is six months after the Listing Date (the "First Six-month Period"):

(a) offer, accept subscription for, pledge, charge, allot, issue, sell, lend, mortgage, assign, contract to allot, issue or sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of, either directly or indirectly, conditionally or unconditionally, or repurchase any of our share capital or other securities or any of our subsidiaries or any interest therein (including but not limited to any securities convertible into or exercisable or exchangeable for or that represent the right to receive any such share capital or securities or any interest therein); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction specified in paragraphs (a) or (b) above; or

(d) offer or agree to do any of the foregoing or announce any intention to do so,

whether any of the foregoing transactions is to be settled by delivery of share capital or such other securities, in cash or otherwise, and in the event that we do any of the foregoing by virtue of the aforesaid exceptions or during the period of six months immediately following the expiry of the First Six-month Period, we will take all reasonable steps to ensure that any such act will not create a disorderly or false market for any of our Shares or other securities.

Pursuant to the Hong Kong Underwriting Agreement, we have further agreed and undertaken that we will not effect any issue or purchase of the Shares, or agree to do so, where such issue or purchase would result in us not complying with the public float requirements set out in the Hong Kong Listing Rules during the First Six-month Period, without the prior written consent of the Sole Global Coordinator.

By our Controlling Shareholders

Each of our Controlling Shareholders has, jointly and severally, agreed and undertaken with the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor and each of the Hong Kong Underwriters that, except pursuant to (A) the Global Offering, (B) the Over-allotment Option or (C) if applicable, the Stock Borrowing Agreement, such Controlling Shareholder will not and, will procure that none of its associates will, without the prior written consent of the Sole Global Coordinator, at any time prior to the expiry of the Controlling Shareholder First Six-month Period (as defined below):

(a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances (as defined in the Hong Kong Underwriting Agreement) in respect of), either directly or indirectly, conditionally or unconditionally, any of our share or debt capital or other securities or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) whether now owned or hereinafter acquired, owned directly or indirectly by it (including holding as a custodian) or with respect to which it has beneficial ownership (the "Lock-up Shares") (the foregoing restriction is expressly agreed to preclude such Controlling Shareholder from engaging in any hedging or other transaction which is designed to or which reasonably could be expected to lead to or result in a sale or disposition of the Lock-up Shares even if such Shares would be disposed of by someone other than such Controlling Shareholder. Such prohibited hedging or other transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described in the paragraphs (a) or (b) above; or

(d) offer or agree or contract to, or publicly announce any intention to enter into, any transaction described in the paragraphs (a), (b) or (c) above, whether any such transaction described in the paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

The "Controlling Shareholder First Six-month Period" will commence on the date of the Hong Kong Underwriting Agreement up to and including the date falling six months after the Listing Date. Additionally, during the period of six months commencing on the date on which the Controlling Shareholder First Six-month Period expires and expiring six months thereafter (the "Controlling Shareholder Second Six-month Period"), our Controlling Shareholders will not enter into any of the foregoing transactions above or agree or contract to or publicly announce any intention to enter into any such transactions if, immediately following such transaction, they will cease to be our controlling shareholder (as defined in the Hong Kong Listing Rules).

Until the expiry of the Controlling Shareholder Second Six-month period, in the event that any of the Controlling Shareholders enters into any such transactions or agrees or contracts to, or publicly announces an intention to, enter into any such transactions, such Controlling Shareholder will take all reasonable steps to ensure that it will not create a disorderly or false market in our Shares or other securities.

Each of our Controlling Shareholders has further undertaken to us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor and each of the Hong Kong Underwriters that such Controlling Shareholder will, at any time within the period commencing on the date of this Agreement and ending on the date which is 12 months after the Listing Date:

(a) upon any pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) of any of our share capital or other securities or any interests therein beneficially owned by such Controlling Shareholder for a bona fide commercial loan, immediately inform us and the Sole Global Coordinator in writing of such pledge or charge together with the number of shares or other securities so pledged or charged; and

(b) upon any indication received by such Controlling Shareholder, either verbal or written, from any pledgee or chargee that any of our securities pledged or charged shares or securities or interests will be disposed of, immediately inform us and the Sole Global Coordinator in writing of such indications.

We have agreed and undertaken to the Sole Global Coordinator, the Sole Bookrunner, the Sole Sponsor and each of the Hong Kong Underwriters that, upon receiving such information in writing from our Controlling Shareholders, we shall, for so long as required by laws, as soon as practicable, notify the Hong Kong Stock Exchange and make a public disclosure of such information by way of an announcement in accordance with the Hong Kong Listing Rules.

Lock-up undertakings by other Shareholders

By Weston International, Mr. Li Chun Hui, Mr. Stephen Allen Barr, Mr. Zeng Wen Li and Mr. Li Jianhong

Immediately following the Global Offering, each of Weston International, Mr. Li Chun Hui, Mr. Stephen Allen Barr, Mr. Zeng Wen Li and Mr. Li Jianhong remain our Shareholders. Each of them has agreed and undertaken to us and the Sole Global Coordinator (for itself and on behalf of the Underwriters) that, except pursuant to (A) the Global Offering, (B) the Over-allotment Option, or (C) if applicable, the Stock Borrowing Agreement, they will not, and will procure that none of their associates, will, without our and the Sole Global Coordinator's the prior written consent, at any time during the period commencing on the date of its or his respective undertaking and ending on a date which is six months after the Listing Date:

(a) offer, pledge, charge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, make any short sale or otherwise transfer or dispose of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, any of our share or debt capital or other securities or any interest therein (including, but not limited to any securities that are convertible into or exercisable or exchangeable for, or that represent the right to receive, any such capital or securities or any interest therein) owned, directly or indirectly by them (including holding as a custodian), or with respect to which they have beneficial ownership (the "Existing Shareholder Lock-up Shares") at the Listing Date. Such prohibited transactions would include without limitation any short sale or any purchase, sale or grant of any right (including without limitation any put or call option) with respect to any of the Existing Shareholder Lock-up Shares or with respect to any security that includes, relates to, or derives any significant part of its value from such Shares); or

(b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any such capital or securities or any interest therein; or

(c) enter into any transaction with the same economic effect as any transaction described in paragraphs (a) and (b) above; or

(d) offer or agree or contract to, or publicly announce any intention, to enter into any transaction described in paragraphs (a), (b) or (c) above, whether any such transaction described in paragraphs (a), (b) or (c) above is to be settled by delivery of Shares or such other securities, in cash or otherwise.

Underwriters' interests in our Group

Save for their respective obligations under the Hong Kong Underwriting Agreement and the International Underwriting Agreement or as otherwise disclosed in this prospectus, as of the Latest Practicable Date, none of the Underwriters was interested directly or indirectly in any of our Shares or securities or any shares or securities of any other member of our Group or had any right or option (whether legally enforceable or not) to subscribe for, or to nominate persons to subscribe for, any of our Shares or securities or any shares or securities of any other member of our Group.

Following the completion of the Global Offering, the Underwriters and their affiliated companies may hold a certain portion of our Shares as a result of fulfilling their respective obligations under the Hong Kong Underwriting Agreement and International Underwriting Agreement.

Sole Sponsor's Independence

Macquarie Capital Securities Limited satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

International Offering

International Offering

In connection with the International Offering, we and the Selling Shareholders expect to enter into the International Underwriting Agreement on or about Wednesday, 24 March 2010 with, among others, the International Underwriters. Under the International Underwriting Agreement, the International Underwriters would, subject to certain conditions, severally and not jointly, agree to purchase the International Offer Shares or procure purchasers for the International Offer Shares initially being offered pursuant to the International Offering. Please refer to the section entitled "Structure of the Global Offering – The International Offering" in this prospectus for further details.

Under the International Underwriting Agreement, we and Mr. Li Chun Hui, one of our Selling Shareholders, intend to grant to the International Underwriters the Over-allotment Option, exercisable in whole or in part at one or more times, at the sole and absolute discretion of the Sole Global Coordinator on behalf of the International Underwriters from the date of the International Underwriting Agreement until 30 days from the last day for the lodging of applications under the Hong Kong Public Offer to require us to issue up to 36,190,800 additional Offer Shares (representing 15% of the new Shares we are initially offering under the Global Offering and before the Over-allotment Option is exercised) and to require Mr. Li Chun Hui to sell up to 7,200,000 additional Sale Shares (representing 15% of the Sale Shares the Selling Shareholders are initially offering in the Global Offering and before the Over-allotment Option is exercised).

Total Commission and Expenses

We will pay the Sole Global Coordinator (for itself and on behalf of the Underwriters) an underwriting commission of 3.3% on the aggregate Offer Price of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offer, out of which the Underwriters will pay all sub-underwriting commission, if any. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Sole Global Coordinator and the relevant International Underwriters, but not the Hong Kong Underwriters.

We and the Selling Shareholders will pay to the Sole Global Coordinator (for itself and on behalf of the International Underwriters) an underwriting commission of 3.3% on the aggregate Offer Price of the International Offer Shares initially offered under the International Offering and, if the Over-allotment Option is exercised, the additional Shares offered and sold pursuant to the exercise of the Over-allotment Option.

The aggregate commissions and estimated expenses, together with the Hong Kong Stock Exchange listing fee, SFC transaction levy, Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and other fees and expenses relating to the Global Offering, are estimated to amount in aggregate to approximately HK$153.0 million (assuming no exercise of the Over-allotment Option and an Offer Price of HK$10.15 per Share, being the mid-point of the stated range of the Offer Price between HK$8.50 and HK$11.80 per Share) in total and are payable by us.

Indemnity

We and the Controlling Shareholders have jointly and severally undertaken to indemnify and hold harmless on demand the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner and Hong Kong Underwriters and each of their respective subsidiaries and affiliates and any of their respective representatives, partners, directors, officers, employees, assignees, and agents for certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us of the Hong Kong Underwriting Agreement.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares, other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. We will ensure or procure that a public announcement in compliance with the Securities and Futures (Price Stabilising) Rules is made within seven days of the expiration of the stabilising period.

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offer as part of the Global Offering. The Global Offering comprises (assuming the Over-allotment Option is not exercised):

(i) the Hong Kong Public Offer of an initial 28,927,200 Hong Kong Offer Shares (subject to adjustment as mentioned below) in Hong Kong as described below in the paragraph entitled "The Hong Kong Public Offer"; and

(ii) the International Offering of an initial 260,344,800 International Offer Shares of which, 212,344,800 Shares are to be offered by us and 48,000,000 Shares are to be offered by the Selling Shareholders, subject to adjustment and the Over-allotment Option as mentioned below, outside the U.S. (including to professional investors within Hong Kong) in offshore transactions in reliance on Regulation S and in the U.S. to QIBs in reliance on Rule 144A or pursuant to another exemption from the registration requirements under the Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offer or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both. Our Directors and the Sole Global Coordinator will take all reasonable steps to identify any multiple applications under the Hong Kong Public Offer and the International Offering which are not allowed and are bound to be rejected. The Hong Kong Public Offer is open to members of the public in Hong Kong as well as to professional investors in Hong Kong. The International Offering will involve selective marketing of Offer Shares to QIBs in the U.S. in reliance on Rule 144A, as well as to professional and institutional investors expected to have a sizeable demand for Shares in Hong Kong and other jurisdictions outside the U.S. in reliance on Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or before, Tuesday, 23 March 2010.

The number of Shares to be offered under the Hong Kong Public Offer and the International Offering may be subject to reallocation as described in the paragraph entitled "Pricing and Allocation" below.

References in this prospectus to applications, Application Forms, application monies or the procedure for application refer solely to the Hong Kong Public Offer.

PRICING AND ALLOCATION

Pricing

The Offer Price is expected to be fixed by agreement amongst us (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (on behalf of the Underwriters), on the Price Determination Date, when market demand for the Offer Shares will be determined. The Price Determination Date is expected to be on or around Wednesday, 24 March 2010 and in any event no later than Sunday, 28 March 2010 and the Offer Shares are expected to be allocated shortly thereafter. If for any reason, we (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (on behalf of the Underwriters) are unable to reach agreement on the Offer Price, the Global Offering will not proceed and will lapse.

The Offer Price will be not more than HK$11.80 per Offer Share and is expected to be not less than HK$8.50 per Offer Share, unless otherwise announced not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as explained below. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.**

Reduction in offer price range and/or number of Offer Shares

If, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, the Sole Global Coordinator (on behalf of the Underwriters) and with our consent (for ourselves and on behalf of the Selling Shareholders), considers it appropriate, the number of Offer Shares being offered under the Global Offering and/or the indicative offer price range may be reduced below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offer.

In such a case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the last day for lodging applications under the Hong Kong Public Offer, expected to be on Tuesday, 23 March 2010, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) notice(s) of the reduction in the number of Offer Shares and/or the indicative offer price range. Such notice(s) will also be available at the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.manwahholdings.com**. Such notice(s) will also include confirmation or revision, as appropriate, of the working capital statement, the offering statistics as currently set out in the section entitled "Summary" in this prospectus, and any other financial information which may change as a result of such reduction(s). Before submitting applications for Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative offer price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offer. **If applications for the Hong Kong Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offer, applicants under the Hong Kong Public Offer should note that in no circumstances can such applications be subsequently withdrawn, even if the indicative offer price range and/or the number of Offer Shares is so reduced.**

Upon the issuance of such notice, the revised number of Offer Shares and/or the revised offer price range will be final and conclusive. The Offer Price, if agreed upon, will be fixed within such revised offer price range. In the absence of any notice of a reduction in the indicative offer price range and/or the number of Offer Shares stated in this prospectus being published on or before the last day for lodging applications under the Hong Kong Public Offer, the Offer Price, if agreed upon, will under no circumstances be set outside the offer price range stated in this prospectus, and the number of Offer Shares will under no circumstances be fewer than the number stated in this prospectus.

Allocation

The Offer Shares to be offered in the Hong Kong Public Offer and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

Allocation of our Offer Shares pursuant to the International Offering will be determined by the Sole Global Coordinator and will be based on a number of factors including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation may be made to professional and institutional investors and is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our Shareholders as a whole.

Allocation of Offer Shares to investors under the Hong Kong Public Offer will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants, although the allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number or Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The net proceeds from the Global Offering accruing to us are estimated to be approximately HK$2,296 million. The estimated net proceeds are calculated assuming an Offer Price of HK$10.15 per Offer Share (being the mid-point of the stated offer price range of HK$8.50 to HK$11.80 per Offer Share) and after deduction of underwriting fees and estimated expenses payable by us in relation to the Global Offering, assuming that the Over-allotment Option is not exercised.

Announcement of Offer Price and Basis of Allocations

The Offer Price under the Global Offering, the level of indications of interest in the International Offering, and the level of applications and the results of and basis of allocations under the Hong Kong Public Offer are expected to be announced on Monday, 29 March 2010 in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese), on our website (**www.manwahholdings.com**) (in English and Chinese) and on the Hong Kong Stock Exchange's website (**www.hkexnews.hk**) and in a variety of channels in the manner described in the section entitled "How to Apply for Hong Kong Offer Shares —

Publication of Results" in this prospectus. You should note that our website, and all information contained in our website, does not form part of this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFER

Acceptance of all applications for the Hong Kong Offer Shares pursuant to the Hong Kong Public Offer will be conditional on:

(i) the Listing Committee of the Hong Kong Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued pursuant to the exercise of the Over-allotment Option), and any Shares which may be issued pursuant to the exercise of the Share Option Scheme and such listing and permission not subsequently having been revoked prior to commencement of dealing in the Shares on the Hong Kong Stock Exchange;

(ii) the Offer Price having been duly determined between us (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (on behalf of the Underwriters), and the execution and delivery of the Price Determination Agreement on or around the Price Determination Date;

(iii) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and

(iv) the obligations of the Underwriters under each of the Hong Kong Underwriting Agreement and the International Underwriting Agreement having become unconditional (including, if relevant, as a result of the waiver of any conditions by the Sole Global Coordinator (on behalf of the Underwriters)) and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than Saturday, 17 April 2010, being the 30th day after the date of this prospectus.

If for any reason the Offer Price is not agreed by Sunday, 28 March 2010 between us (for ourselves and on behalf of the Selling Shareholders) and the Sole Global Coordinator (on behalf of the Underwriters), the Global Offering will not proceed and will lapse. If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. We will cause a notice of the lapse of the Hong Kong Public Offer to be published by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned to the applicants, without interest, on the terms set out in the section entitled "How to Apply for Hong Kong Offer Shares" in this prospectus. In the meantime, the application monies will be held in separate bank account(s) with the receiving banks or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

The consummation of each of the Hong Kong Public Offer and the International Offering is conditional upon, among other things, the other becoming unconditional and not having been terminated in accordance with its terms.

Share certificates for the Hong Kong Offer Shares are expected to be issued on Monday, 29 March 2010 but will only become valid certificates of title at 8:00 a.m. on Tuesday, 30 March 2010, the date of commencement of dealings in the Shares, provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section entitled "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offer – Grounds for Termination" has not been exercised. Investors who trade Shares prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.

THE HONG KONG PUBLIC OFFER

We are initially offering 28,927,200 Hong Kong Offer Shares at the Offer Price, representing 10% of the 289,272,000 Offer Shares initially available under the Global Offering, for subscription by the public in Hong Kong. Subject to adjustment as mentioned below, the number of Shares offered under the Hong Kong Public Offer will represent 2.99% of our total issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

In Hong Kong, individual retail investors are expected to apply for the Hong Kong Offer Shares through the Hong Kong Public Offer and individual retail investors, including individual investors in Hong Kong applying through banks and other institutions, seeking Offer Shares in the International Offering will not be allotted Offer Shares in the International Offering.

Applications

Each applicant under the Hong Kong Public Offer will be required to give an undertaking and confirmation in the Application Form or applying online through the **White Form eIPO** service or the **electronic application instruction** to HKSCC submitted by him or her, that he or she, and any person(s) for whose benefit he or she is making the application (if any), have not indicated an interest for or taken up and will not indicate an interest for or take up any International Offer Shares, and such applicant's application will be rejected if this undertaking and/or confirmation is breached and/or untrue.

Our Company, our Directors, the Sole Sponsor and the Sole Global Coordinator will take reasonable steps to identify and reject applicants under the Hong Kong Public Offer from investors who have received Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Offer Shares in the Hong Kong Public Offer.

The Sole Global Coordinator, on behalf of the Underwriters, may require any investor who has been offered Shares under the International Offering, and who has made an application under the Hong Kong Public Offer, to provide sufficient information to the Sole Global Coordinator so as to allow them to identify the relevant applications under the Hong Kong Public Offer and to ensure that he or she is excluded from any application for Shares under the Hong Kong Public Offer.

The Offer Price will be not more than HK$11.80 per Offer Share and is expected to be not less than HK$8.50 per Offer Share. Applicants under the Hong Kong Public Offer are required to pay, on application, the maximum Offer Price of HK$11.80 on each Hong Kong Public Offer Share plus 1% brokerage fee, 0.004% SFC transaction levy and 0.005% Hong Kong Stock Exchange trading fee on each Hong Kong Public Offer Share. If the Offer Price, as finally determined on the Price Determination Date, is lower than HK$11.80 per Offer Share, being the maximum Offer Price, we will refund the respective difference (including the brokerage fee, the SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) to successful applicants, without interest. Further details are set out in the section entitled "How to Apply for Hong Kong Offer Shares" in this prospectus.

References in this prospectus to applications, Application Forms, application monies or to the procedure for application relate solely to the Hong Kong Public Offer.

Allocation

The total number of Offer Shares available for subscription under the Hong Kong Public Offer (after taking into account any reallocation and clawback referred to below) is to be divided equally into two pools for allocation purposes: pool A and pool B (subject to adjustment of odd lot size). The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of HK$5 million (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) or less. The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate subscription price of more than HK$5 million (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee) and up to the value of pool B. For this purpose, the "subscription price" for the Hong Kong Public Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If the Hong Kong Offer Shares in one (but not both) of the pools are under-subscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools. When there is over-subscription, allocation of the Hong Kong Offer Shares to investors under the Hong Kong Public Offer, in relation to both pool A and pool B, will be based solely on the level of valid applications received under the Hong Kong Public Offer. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by each applicant. The allocation of Hong Kong Offer Shares could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares. Multiple or suspected multiple applications within either pool or between pools and any application for more than 14,463,600 Hong Kong Offer Shares, being 50% of the Hong Kong Offer Shares initially being offered for subscription under the Hong Kong Public Offer, will be rejected.

Reallocation and Clawback

The allocation of Offer Shares between the Hong Kong Public Offer and the International Offering is subject to adjustment. If the number of Offer Shares validly applied for in the Hong Kong Public Offer represents (i) 15 times or more but less than 50 times, (ii) 50 times or more but less than 100 times, and (iii) 100 times or more, of the number of Offer Shares initially available for subscription under the Hong Kong Public Offer, the total number of Offer Shares available under the Hong Kong Public Offer will be increased to 86,781,600, 115,708,800 and 144,636,000 Shares, respectively, representing 30% (in the case of (i)), 40% (in the case of (ii)) and 50% (in the case of (iii)), respectively, of the total number of Shares initially available under the Global Offering (before any exercise of the Over-allotment Option). In such cases, the number of Offer Shares allocated in the International Offering will be correspondingly reduced, in such manner as the Sole Global Coordinator deems appropriate, and such additional Shares will be allocated to pool A and pool B. In addition, the Sole Global Coordinator may allocate Offer Shares from the International Offering to the Hong Kong Public Offer to satisfy valid applications under the Hong Kong Public Offer.

If the Hong Kong Public Offer is not fully subscribed, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such proportions as the Sole Global Coordinator deems appropriate.

THE INTERNATIONAL OFFERING

The International Offering will consist of initially 260,344,800 Shares (of which 212,344,800 Shares are to be issued by us and 48,000,000 Shares are to be offered for sale by the Selling Shareholders), and is subject to adjustment and the Over-allotment Option, to be offered (a) in the United States to QIBs in reliance on Rule 144A or another exemption from registration under the Securities Act, and (b) outside the United States (within the meaning of Regulation S under the Securities Act) in reliance on Regulation S under the Securities Act, including to professional investors in Hong Kong. The International Offering will be subject to, among other matters, the Hong Kong Public Offer becoming unconditional.

Pursuant to the International Offering, the International Underwriters will conditionally place our Shares with QIBs in the United States in reliance on Rule 144A, as well as with institutional and professional investors expected to have a sizeable demand for our Shares in Hong Kong and other jurisdictions outside the United States in reliance on Regulation S. Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the "book-building" process described in the paragraph entitled "Pricing and Allocation" above and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further Shares, and/or hold or sell its Shares, after the listing of the Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid professional and institutional Shareholder base to the benefit of our Company and our Shareholders as a whole.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, we and one of our Selling Shareholders, Mr. Li Chun Hui, expect to grant the Over-allotment Option to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters.

Pursuant to the Over-Allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to 36,190,800 additional Offer Shares (representing 15% of the new Shares initially to be offered by our Company under the Global Offering and before the exercise of the Over-allotment Option) and Mr. Li Chun Hui to sell up to 7,200,000 additional Sale Shares (representing 15% of the Sale Shares initially to be offered by the Selling Shareholders under the International Offering and before the exercise of the Over-allotment Option), at the same price per Offer Share under the International Offering to cover, among other things, over-allocations in the International Offering, if any. If the Over-Allotment Option is exercised in full, the additional Offer Shares will represent approximately 4.33% of our enlarged share capital immediately following the completion of the Global Offering and the exercise of the Over-Allotment Option. In the event that the Over-Allotment Option is exercised, a press announcement will be made.

THE SELLING SHAREHOLDERS

The Selling Shareholders are initially offering a total of 48,000,000 Sale Shares as part of the International Offering. Mr. Li Chun Hui may sell up to an additional 7,200,000 Sale Shares if the Over-Allotment Option is exercised in full.

The sale of the Sale Shares by the Selling Shareholders in connection with the International Offering has been approved by a Shareholders' meeting of our Company.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilising Manager may choose to borrow, whether on its own or through any person acting for it, up to 43,390,800 Shares (being the maximum number of Shares which may be issued or sold upon exercise of the Over-allotment Option) from Man Wah Investments pursuant to the Stock Borrowing Agreement, and/or acquire Shares from other sources, including the exercising of the Over-allotment Option.

If such stock borrowing arrangement with Man Wah Investments is entered into, it will only be effected by the Stabilising Manager or any person acting for it for settlement of over-allocation in the International Offering and such arrangement is not subject to the restrictions of Rule 10.07(1)(a) of the Hong Kong Listing Rules provided that the requirements set forth in Rule 10.07(3) of the Hong Kong Listing Rules are complied with. The same number of Shares so borrowed must be returned to Man Wah Investments or its nominees, as the case may be, on or before the third Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised, or (ii) the day on which the Over-allotment Option is exercised in full and the relevant Shares subject to the Over-allotment Option have been issued. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payment will be made to Man Wah Investments by the Stabilising Manager or any person acting for it in relation to such stock borrowing arrangement.

STABILISATION

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to minimise, and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, the Stabilising Manager or any person acting for it, on behalf of the International Underwriters, may, to the extent permitted by applicable laws in Hong Kong, over-allocate and/or effect any other transactions with a view to stabilising or maintaining the market price of our Shares at a level higher than that which might otherwise prevail in the open market for a limited period commencing on the Listing Date and ending on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer. The stabilising action which may be taken by the Stabilising Manager or any person acting for it may include primary and ancillary stabilising actions such as purchasing or agreeing to purchase any of the Offer Shares, exercising the Over-allotment Option, stock borrowing, establishing a short position in the Shares, liquidating long positions in the Shares or offering or attempting to do any such actions. However, there is no obligation on the Stabilising Manager or any person acting for it to conduct any such stabilising activity. Any such stabilising activities will be effected in compliance with all applicable laws and regulatory requirements, including the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong). Such stabilisation, if commenced, will be conducted at the sole and absolute discretion of the Stabilising Manager or any person acting for it, and may be discontinued at any time, and is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offer. The number of Shares that may be over-allocated will not exceed the number of Shares which may be issued or sold upon exercise of the Over-allotment Option, being 43,390,800 Shares, which is 15% of our Offer Shares initially available under the Global Offering and before the exercise of the Over-allotment Option.

The Stabilising Manager or any person acting for it, may take all or any of the following stabilising actions in Hong Kong during the stabilisation period:

(a) purchase, or agree to purchase, any of our Shares or offer or attempt to do so for the sole purpose of preventing or minimising any reduction in the market price of our Shares; and/or

(b) in connection with any action described in paragraph (a) above:

(i) (A) over-allocate our Shares; or

(B) sell or agree to sell our Shares so as to establish a short position in them,

for the sole purpose of preventing or minimising any reduction in the market price of our Shares;

(ii) exercise the Over-allotment Option so as to purchase or subscribe for or agree to purchase or subscribe for our Shares in order to close out any position established under paragraph (i) above;

(iii) sell or agree to sell any of our Shares acquired by it in the course of the stabilising action referred to in paragraph (a) above in order to liquidate any position that has been established by such action; and/or

(iv) offer or attempt to do anything as described in paragraph (b)(i)(B), (b)(ii) or (b)(iii) above.

The Stabilising Manager or any person acting for it, may, in connection with the stabilising action, maintain a long position in our Shares, and there is no certainty as to the extent to which or the time period for which it or any person acting for it will maintain such a position. Investors should be warned of the possible impact of any liquidation of the long position by the Stabilising Manager or any person acting for it, which may have an adverse impact on the market price of our Shares.

Stabilisation cannot be used to support the price of our Shares for longer than the stabilisation period, which begins on the day on which dealings in our Shares commence on the Hong Kong Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offer which will be Thursday, 22 April 2010. After this date, when no further stabilising action may be taken, demand for our Shares, and therefore their market price, could fall. Our Company will ensure or procure that a public announcement will be made within seven days after the end of the stabilising period in compliance with the Securities and Futures (Price Stabilising) Rules (Chapter 571W of the Laws of Hong Kong).

Any stabilising action taken by the Stabilising Manager or any person acting for it, may not necessarily result in the market price of our Shares staying at or above the Offer Price either during or after the stabilisation period. Stabilisation bids or market purchases effected in the course of the stabilising action may be made at any price at or below the Offer Price and can therefore be done at a price below the price investors have paid in acquiring our Shares.

In connection with the Global Offering, the Sole Global Coordinator may over-allocate up to and not more than an aggregate of 43,390,800 additional Shares and cover such over-allocations by exercising the Over-allotment Option, which will be exercisable by the Stabilising Manager or any person acting for it on behalf of the International Underwriters, or by making purchases in the secondary market at prices that do not exceed the Offer Price or a combination of these means.

In particular, for the purpose of settlement of over-allocations in connection with the International Offering, the Stabilising Manager may borrow up to 43,390,800 Shares, under the stock borrowing arrangement. The stock borrowing arrangement will be effected in compliance with all applicable laws, rules and regulatory requirements. No payments or other benefit will be made to Man Wah Investments by the Sole Global Coordinator in relation to the stock borrowing arrangement.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 30 March 2010, it is expected that dealings in our Shares on the Hong Kong Stock Exchange will commence at 9:30 a.m. on Tuesday, 30 March 2010. Our Shares will be traded in board lots of 400 Shares each.

UNDERWRITING ARRANGEMENTS

The Hong Kong Public Offer is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (on behalf of the Underwriters) and us (for ourselves and on behalf of the Selling Shareholders) on the Price Determination Date.

We expect that we will, on or about Wednesday, 24 March 2010, shortly after determination of the Offer Price, enter into the International Underwriting Agreement relating to the International Offering.

The underwriting arrangements, the Hong Kong Underwriting Agreement and the International Underwriting Agreement are summarised in the section entitled "Underwriting" in this prospectus.

WHO CAN APPLY FOR THE HONG KONG OFFER SHARES

You can apply for Hong Kong Offer Shares if you are, or any person(s) for whose benefit you are applying is, an individual, and:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States; and
- are not a United States person (as defined in Regulation S), or a legal or natural person of the PRC (except Qualified Domestic Institutional Investors).

If you wish to apply for Hong Kong Offer Shares online through the designated website at **www.eipo.com.hk** referred to herein as the **White Form eIPO** service, in addition to the above you must also:

- have a valid Hong Kong identity card number; and
- be willing to provide a valid e-mail address and a contact telephone number.

You may only apply by means of the **White Form eIPO** service if you are an individual applicant. Corporations or joint applicants may not apply by means of the **White Form eIPO** service.

If the applicant is a firm, the application must be in the names of the individual members, not the firm's name. If the applicant is a body corporate, the Application Form must be signed by a duly authorised officer, who must state his or her representative capacity.

Nominees who wish to submit separate applications in their names on behalf of different beneficial owners are requested to designate on each Application Form in the box marked "For nominees" the account numbers or other identification codes for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner.

If an application is made by a person duly authorised under a valid power of attorney, the Sole Global Coordinator (or its agents or nominees) may accept it at its discretion and subject to any conditions it thinks fit, including production of evidence of the authority of the attorney. The Sole Global Coordinator will have full discretion to reject or accept any application, in full or in part, without assigning any reason.

The number of joint applicants may not exceed four.

The Hong Kong Offer Shares are not available to existing beneficial owners of Shares in our Company, our Directors or chief executive or their respective associates or any other Connected Persons of our Company or any of our subsidiaries or persons who will become Connected Persons of our Company or any of our subsidiaries immediately upon completion of the Global Offering.

You may apply for Shares under the Hong Kong Public Offer or indicate an interest for Shares under the International Offering, but may not do both.

HOW MUCH ARE THE HONG KONG OFFER SHARES

The maximum Offer Price is HK$11.80 per Offer Share. You must also pay brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%. This means that for one board lot of 400 Shares, you will pay HK$4,767.63. The Application Forms have tables showing the exact amount payable for certain numbers of Hong Kong Offer Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee in full when you apply for the Hong Kong Offer Shares. You must pay the amount payable upon application for the Hong Kong Offer Shares by a cheque or a banker's cashier order in accordance with the terms set out in the Application Form or this prospectus (if you apply by an Application Form). Any application not accompanied by the correct amount of application monies will be treated as invalid in its entirety and no Hong Kong Offer Shares will be allotted to such applicant.

If your application is successful, brokerage is paid to participants of the Hong Kong Stock Exchange, SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

CHANNELS OF APPLYING FOR THE HONG KONG OFFER SHARES

There are four channels to make an application for the Hong Kong Offer Shares. You may either use a **YELLOW** or **WHITE** Application Form or you may apply online through the designated website of the White Form eIPO service (**www.eipo.com.hk**), referred to herein as the "**White Form eIPO service**" or you may **electronically** instruct HKSCC to cause HKSCC Nominees to apply for Hong Kong Offer Shares on your behalf. Except where you are a nominee and provide the required information in your application, you or you and your joint applicant(s) may not make more than one application (whether individually or jointly) by applying on a **WHITE** or **YELLOW** Application Form or applying online through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC.

APPLYING BY USING AN APPLICATION FORM

Which Application Form to Use

Use a **WHITE** Application Form if you want the allotted Hong Kong Offer Shares to be issued in your own name.

Use a **YELLOW** Application Form if you want the allotted Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS for credit to your CCASS Investor Participant stock account or your designated CCASS Participant's stock account.

Where to Collect the Prospectus and Application Forms

1. You can collect a **WHITE** Application Form and a prospectus from:

   - **any participant of the Hong Kong Stock Exchange;**
   - any of the following addresses:
     - **Macquarie Capital Securities Limited** at Level 18, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong;
     - **CAF Securities Company Limited** at 13th Floor, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong;
     - **Samsung Securities (Asia) Limited** at Suite 4511, Two International Finance Centre, 8 Finance Street, Central, Hong Kong;
     - **UOB Asia (Hong Kong) Limited** at Suite 601, 6th Floor, Aon China Building, 29 Queen's Road Central, Hong Kong;
     - **CIMB Securities (HK) Limited** at 25th Floor, Central Tower, 28 Queen's Road Central, Hong Kong;
     - **Guotai Junan Securities (Hong Kong) Limited** at 27th Floor, Low Block, Grand Millennium Plaza, 181 Queen's Road Central, Hong Kong;
     - **Mizuho Securities Asia Limited** at 12th Floor, Chater House, 8 Connaught Road Central, Hong Kong;
     - **Oriental Patron Securities Limited** at Suite 2701-03 & 2705-8, 27th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong;
     - **OSK Securities Hong Kong Limited** at 12th Floor, World-Wide House, 19 Des Voeux Central, Hong Kong; and
   - any of the following branches of Standard Chartered Bank (Hong Kong) Limited and Bank of China (Hong Kong) Limited:

     (a) Standard Chartered Bank (Hong Kong) Limited

	Branch name	Address
Hong Kong Island . . .	Des Voeux Road Branch	Standard Chartered Bank Building, 4-4A, Des Voeux Road Central, Central
	Central Branch	Shop no. 16, G/F and Lower G/F, New World Tower, 16-18 Queen's Road Central, Central

	Branch name	Address
	Wanchai Southorn Branch	Shop C2 on G/F and 1/F, Lee Wing Building, No. 156-162 Hennessy Road, Wanchai
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon.	Kwun Tong Branch	1A Yue Man Square, Kwun Tong
	Mongkok Branch	Shop B, G/F, 1/F & 2/F, 617-623 Nathan Road, Mongkok
	Lok Fu Shopping Centre Branch	Shop G101, G/F, Lok Fu Shopping Centre
New Territories.	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Yuen Long Branch	140, Yuen Long Main Road, Yuen Long
	Tseung Kwan O Branch	Shop G37-40, G/F, Hau Tak Shopping Centre East Wing, Hau Tak Estate, Tseung Kwan O

(b) Bank of China (Hong Kong) Limited

	Branch name	Address
Hong Kong Island . . .	Bank of China Tower Branch	3/F, 1 Garden Road
	North Point (Kiu Fai Mansion) Branch	413-415 King's Road, North Point
	Chai Wan Branch	Block B, Walton Estate, 341-343 Chai Wan Road, Chai Wan

	Branch name	Address
Kowloon.	Kwun Tong Branch	20-24 Yue Man Square, Kwun Tong
	Mong Kok Branch	589 Nathan Road, Mong Kok
	Festival Walk Branch	Unit LG256, Festival Walk, Kowloon Tong
New Territories.	Castle Peak Road (Tsuen Wan) Branch	201-207 Castle Peak Road, Tsuen Wan
	Tuen Mun Town Plaza Branch	Shop 2, Tuen Mun Town Plaza Phase II

Prospectuses and Application Forms will be available for collection at the above places on the following dates and during the following times:

Thursday, 18 March 2010 – 9:00 a.m. – 5:00 p.m.
Friday, 19 March 2010 – 9:00 a.m. – 5:00 p.m.
Saturday, 20 March 2010 – 9:00 a.m. – 1:00 p.m.
Monday, 22 March 2010 – 9:00 a.m. – 5:00 p.m.
Tuesday, 23 March 2010 – 9:00 a.m. – 12:00 noon

2. You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Thursday, 18 March 2010 until 12:00 noon on Tuesday, 23 March 2010 from:

   - **The Depository Counter of HKSCC** at 2/F., Vicwood Plaza, 199 Des Voeux Road Central, Hong Kong; or

   - Your stockbroker, who may have the **YELLOW** Application Forms and this prospectus available.

How to Apply using a WHITE or YELLOW Application Form

1. Obtain a **WHITE** or **YELLOW** Application Form as described in the paragraph entitled "Where to Collect the prospectus and Application Forms" above.

2. Complete the Application Form using blue or black ink, and sign it. There are detailed instructions on each Application Form. You should read those instructions carefully. If you do not follow the instructions, your application may be rejected and returned by ordinary post together with the accompanying cheque(s) or banker's cashier order(s) to you (or the first-named applicant in the case of joint applicants) at your own risk at the address stated in the Application Form.

3. Each **WHITE** or **YELLOW** Application Form must be accompanied by payment, in the form of either one cheque or one banker's cashier order, which must be stapled to the top left hand corner of the Application Form:

   If you pay by cheque, the cheque must:

   - be in Hong Kong dollars;
   - not be post-dated;
   - be drawn on your Hong Kong dollar bank account with a licensed bank in Hong Kong;
   - show your account name. This name must either be pre-printed on the cheque, or be endorsed at the back by a person authorised by the bank. This account name must be the same as the name on your Application Form. If it is a joint application, the account name must be the same as the name of the first-named applicant. If the cheque is drawn on a joint account, one of the joint account names must be the same as the name of the first-named applicant;
   - be made payable to "Horsford Nominees Limited – Man Wah Public Offer"; and
   - be crossed "'Account Payee Only".

   If you pay by banker's cashier order, the banker's cashier order must:

   - be in Hong Kong dollars;
   - be issued by a licensed bank in Hong Kong, and have your name certified at the back of the banker's cashier order by a person authorised by the bank on which it is drawn. The name on the back of the banker's cashier order and the name on the Application Form must be the same. If it is a joint application, the name at the back of the banker's cashier order must be the same as the name of the first-named applicant;
   - not be post-dated;
   - be made payable to "Horsford Nominees Limited – Man Wah Public Offer"; and
   - be crossed "Account Payee Only".

   Your application is liable to be **rejected** if your cheque or banker's cashier order does not meet all these requirements or is dishonoured on its first presentation.

   The right is reserved to present all or any remittances for payment. However, your cheque or banker's cashier order will not be presented for payment before 12:00 noon on Tuesday, 23 March 2010. The Company will not give you a receipt for your payment. The Company will keep any interest accrued on your application monies (up until, in the case of monies to be refunded, the date of despatch of e-Refund payment instructions/refund cheques). The right is also reserved to retain any share certificate(s) and/or any surplus application money(ies) or refunds pending clearance of your cheque or banker's cashier order.

You should read the detailed instructions set out on the Application Form carefully, as an application is liable to be **rejected** if the cheque or banker's cashier order does not meet the requirements set out on the Application Form.

4. Lodge the Application Form in one of the collection boxes by the time and at one of the locations described in the paragraph entitled "Time for lodging Application Forms" below.

5. In order for the **YELLOW** Application Forms to be valid:

You, as the applicant(s), must complete the form as indicated below and sign on the first page of the Application Form. Only written signatures will be accepted.

(i) If the application is made through a designated CCASS Participant (other than a CCASS Investor Participant):

(a) the designated CCASS Participant must endorse the form with its company chop (bearing its company name) and insert its participant I.D. in the appropriate box in the Application Form.

(ii) If the application is made by an individual CCASS Investor Participant:

(a) the Application Form must contain the CCASS Investor Participant's name and Hong Kong identity card number; and

(b) the CCASS Investor Participant must insert its participant I.D. in the appropriate box in the Application Form.

(iii) If the application is made by a joint individual CCASS Investor Participant:

(a) the Application Form must contain the names and Hong Kong identity card numbers of all joint CCASS Investor Participants; and

(b) the participant I.D. must be inserted in the appropriate box in the Application Form.

(iv) If the application is made by a corporate CCASS Investor Participant:

(a) the Application Form must contain the CCASS Investor Participant's company name and Hong Kong business registration number; and

(b) the participant I.D. and company chop (bearing its company name) must be inserted in the appropriate box in the Application Form.

Incorrect or incomplete details of the CCASS Participant or the omission or inadequacy of participant I.D. or other similar matters may render the application invalid.

Effect of making any Application

1. By completing and submitting any Application Form, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee:

   - **instruct** and **authorise** our Company, and/or the Sole Global Coordinator (or our respective agents or nominees), each acting as an agent of our Company, to execute any transfer forms, contract notes or other documents on your behalf and to do on your behalf all other things necessary to effect the registration of any Hong Kong Offer Shares allocated to you in your name(s) or the name of HKSCC Nominees, as the case may be, as required by the Memorandum of Association and the Bye-laws and otherwise to give effect to the arrangements described in this prospectus and the relevant Application Form;

   - **undertake** to sign all documents and to do all things necessary to enable you or HKSCC Nominees, as the case may be, to be registered as the holder of the Hong Kong Offer Shares allocated to you, and as required by the Memorandum of Association and the Bye-laws;

   - **represent**, **warrant** and **undertake** that you understand that the Shares have not been and will not be registered under the Securities Act;

   - **represent**, **warrant** and **undertake** that: (a) neither you nor the person(s) for whose benefit you are applying for the Shares is restricted by any applicable laws of Hong Kong or elsewhere from making this application, or paying any application moneys for, or being allotted or taking up any Hong Kong Offer Shares; (b) neither you nor the person(s) for whose benefit you are applying for the Shares is within the U.S. (as defined in Regulation S under the Securities Act) when completing and submitting the relevant Application Forms or that you are a person or persons described in paragraph h(3) of Rule 902 of Regulation S under the Securities Act; (c) you and any of the person(s) for whose benefit you are applying will acquire the Hong Kong Offer Shares in an offshore transaction (within the meaning of Regulation S under the Securities Act); and (d) the allotment of or the application for the Hong Kong Offer Shares to or by you or any of the other persons by whom or for whose benefit the application is made would not require the Company to comply with any requirement under any law or regulation (whether or not having the force of law) of any territory outside Hong Kong;

   - **confirm** that you have received and/or read a copy of this prospectus and have only relied on the information and representations contained in this prospectus and the Application Form in making your application, and will not rely on any other information or representation concerning our Company save as set out in any supplement to this prospectus, and you agree that our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Hong Kong Underwriters and their respective directors, officers, employees, partners, agents, advisors or any other parties involved in the Global Offering will not have any liability for any information or representations not contained in this prospectus, the Application Forms and any supplement to this prospectus;

- **agree** (without prejudice to any other rights which you may have) that once your application has been accepted, you may not rescind it due to an innocent misrepresentation or other than as provided in this prospectus;
- (if the application is made for your own benefit) **warrant** that the application is the only application which will be or has been made for your benefit in respect of Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated White Form eIPO Service Provider via the **White Form eIPO** service (**www.eipo.com.hk**);
- (if the application is made by an agent on your behalf) **warrant** that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application;
- (if you are an agent for another person) **warrant** that reasonable inquiries have been made of that other person that the application is the only application which will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC via CCASS or to the designated White Form eIPO Service Provider via the **White Form eIPO** service (**www.eipo.com.hk**), and that you are duly authorised to sign the Application Form or to give **electronic application instructions** as that other person's agent;
- **agree** that once your application is accepted, your application will be evidenced by the results of the Hong Kong Public Offer made available by our Company;
- **undertake** and **confirm** that you (if the application is made for your benefit) or the person(s) for whose benefit you have made the application have not applied for, taken up or indicated an interest in, or received or been placed or allocated (including conditionally and/or provisionally) and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offering, and have not otherwise participated in the International Offering and will not do so;
- **warrant** the truth and accuracy of the information contained in your application;
- **agree** to disclose to our Company, the Hong Kong Share Registrar, the Receiving Banks, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and their respective advisers and agents any personal data or other information which they require about you or the person(s) for whose benefit you have made the application;
- **agree** that your application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the laws of Hong Kong;
- **undertake** and **agree** to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

- **authorise** our Company to place your name(s) or the name of HKSCC Nominees, as the case may be, on the Company's register of members as the holder(s) in Hong Kong of any Hong Kong Offer Shares allocated to you, and (subject to the terms and conditions set out in the Application Form and in this prospectus) authorise our Company and/or the Company's agents to deposit any share certificate(s) (where applicable) and/or to send any refund cheque(s) (where applicable) to you or (in case of joint applicants) the first-named applicant in the Application Form by ordinary post to the address stated in your Application Form at your own risk (except if you have applied for 1,000,000 Hong Kong Offer Shares or more and have indicated in your Application Form that you wish to collect your refund cheque(s) and/or share certificate(s) (where applicable) in person);

- **confirm** that you have read the terms and conditions and application procedures set out in this prospectus, the Application Forms and in the designated website at **www.eipo.com.hk**, and agree to be bound by them and are aware of the restrictions on the Global Offering of the Offer Shares described in this prospectus;

- **understand** that these declarations and representations will be relied upon by our Company and the Sole Global Coordinator in deciding whether or not to make any allocation of the Hong Kong Offer Shares in response to your application and you may be prosecuted for making a false declaration;

- if the laws of any place outside Hong Kong are applicable to your application, you **agree** and **warrant** that you have complied with all such laws and none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Hong Kong Underwriters and the other parties involved in the Global Offering, nor any of their respective officers, directors, employees, agents or advisers, will infringe any laws outside Hong Kong as a result of the acceptance of your offer to purchase, or any actions arising from your rights and obligations under the terms and conditions contained in this prospectus;

- **agree** with our Company and each of our Shareholder that the Shares in our Company are freely transferable by the holder thereof; and

- **authorise** our Company to enter into a contract on your behalf with each Director and officer of our Company whereby such Directors and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in the Memorandum of Association and the Bye-laws.

2. If you apply for the Hong Kong Offer Shares using a **YELLOW** Application Form, in addition to the confirmations and agreements referred to in paragraph (1) above, you (and if you are joint applicants, each of you jointly and severally) for yourself or as agent or nominee and on behalf of each person for whom you act as agent or nominee **agree** that:

   - any Hong Kong Offer Shares allocated to you shall be registered in the name of HKSCC Nominees and to deposit the relevant share certificates directly into CCASS operated by HKSCC for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant in accordance with your election on the Application Form;

   - each of HKSCC and HKSCC Nominees reserves the right at its absolute discretion (1) not to accept any or part of such allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees or not to accept such allotted Hong Kong Offer Shares for deposit into CCASS; (2) to cause such allotted Hong Kong Offer Shares to be withdrawn from CCASS and transferred into your name (or, if you are a joint applicant, to the first-named applicant) at your own risk and costs; and (3) to cause such allotted Hong Kong Offer Shares to be issued in your name (or, if you are a joint applicant, to the first-named applicant) and in such a case, to post the share certificates for such allotted Hong Kong Offer Shares at your own risk to the address on your Application Form by ordinary post or to make available the same for your collection;

   - each of HKSCC and HKSCC Nominees may adjust the number of allotted Hong Kong Offer Shares issued in the name of HKSCC Nominees;

   - neither HKSCC nor HKSCC Nominees shall have any liability for the information and representations not so contained in this prospectus and the Application Form; and

   - neither HKSCC nor HKSCC Nominees shall be liable to you in any way.

Time for lodging Application Forms

Completed **WHITE** or **YELLOW** Application Forms, with payment attached, must be lodged by 12:00 noon on Tuesday, 23 March 2010, or, if the application lists are not open on that day, then by the time and date stated in the sub-paragraph entitled "Effect of Bad Weather on the Opening of the Application Lists".

Your completed Application Form, with payment attached, should be deposited in the special collection boxes provided at any of the branches of Standard Chartered Bank (Hong Kong) Limited and Bank of China (Hong Kong) Limited listed under the paragraph entitled "Where to Collect the prospectus and Application Forms" above at the following times:

Thursday, 18 March 2010	**–**	**9:00 a.m. to 5:00 p.m.**
Friday, 19 March 2010	**–**	**9:00 a.m. to 5:00 p.m.**
Saturday, 20 March 2010	**–**	**9:00 a.m. to 1:00 p.m.**
Monday, 22 March 2010	**–**	**9:00 a.m. to 5:00 p.m.**
Tuesday, 23 March 2010	**–**	**9:00 a.m. to 12:00 noon**

Application Lists

The application lists will be open from 11:45 a.m. to 12:00 noon on Tuesday, 23 March 2010.

No proceedings will be taken on applications for the Hong Kong Offer Shares and no allotment of any such Shares will be made until the closing of the application lists.

Effect of Bad Weather on the Opening of the Application Lists

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 23 March 2010. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon.

If the application lists of the Hong Kong Public Offer do not open and close on Tuesday, 23 March 2010, or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section entitled "Expected Timetable", such dates may be affected and an announcement will be made in such event.

APPLYING THROUGH WHITE FORM eIPO

General

If you are an individual and meet the criteria set out in "Who can Apply for the Hong Kong Offer Shares", you may apply through the **White Form eIPO** service by submitting an application online through the designated website at **www.eipo.com.hk**. If you apply through the **White Form eIPO** service, the Shares will be issued in your own name.

Detailed instructions for application through the **White Form eIPO** service are set out on the designated website at **www.eipo.com.hk**. You should read these instructions carefully. If you do not follow the instructions, your application may be **rejected** by the designated White Form eIPO Service Provider and may not be submitted to our Company.

If you give **electronic application instructions** to the White Form eIPO Service Provider through the designated website at **www.eipo.com.hk**, you will have authorised the designated White Form eIPO Service Provider to apply on the terms and conditions set out in this prospectus, as supplemented and amended by the terms and conditions applicable to the **White Form eIPO** service.

In addition to the terms and conditions set out in this prospectus, the designated White Form eIPO Service Provider may impose additional terms and conditions upon you for the use of the **White Form eIPO** service. Such terms and conditions are set out on the designated website at **www.eipo.com.hk**. You will be required to read, understand and agree to such terms and conditions in full prior to making any application.

By submitting an application to the designated White Form eIPO Service Provider through the **White Form eIPO** service, you are deemed to have authorised the designated White Form eIPO Service Provider to transfer the details of your application to our Company and our Hong Kong Share Registrar.

You may submit an application through the **White Form eIPO** service in respect of a minimum of 400 Hong Kong Offer Shares. Each electronic application instruction in respect of more than 400 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms, or as otherwise specified on the designated website at **www.eipo.com.hk**.

Warning

The application for Hong Kong Offer Shares through the **White Form eIPO** service is only a facility provided by the designated White Form eIPO Service Provider to public investors. Our Company, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriters and the White Form eIPO Service Provider take no responsibility for such applications, and provide no assurance that applications through the **White Form eIPO** service will be submitted to our Company or that you will be allotted any Hong Kong Offer Shares.

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK$2 for each "MAN WAH HOLDINGS LIMITED" **White Form eIPO** application submitted via **www.eipo.com.hk** to support the funding of the "Source of DongJiang – Hong Kong Forest" project initiated by Friends of the Earth (HK).

Please note that Internet services may have capacity limitations and/or be subject to service interruptions from time to time. To ensure that you can submit your applications through the **White Form eIPO** service, you are advised not to wait until the last day for submitting applications in the Hong Kong Public Offer to submit your **electronic application instructions**. In the event that you have problems connecting to the designated website for the **White Form eIPO** service, you should submit a **WHITE** or **YELLOW** Application Form. However, once you have submitted **electronic application instructions** and completed payment in full using the application reference number provided to you on the designated website, you will be deemed to have made an actual application and should not submit a **WHITE** or **YELLOW** Application Form or give **electronic application instructions** to HKSCC via CCASS.

Additional information

For the purposes of allocating Hong Kong Offer Shares, each applicant giving **electronic application instructions** through the **White Form eIPO** service to the White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** will be treated as an applicant.

If your payment of application monies is insufficient, or in excess of the required amount, having regard to the number of Hong Kong Offer Shares for which you have applied, or if your application is otherwise rejected by the designated White Form eIPO Service Provider, the designated White Form eIPO Service Provider may adopt alternative arrangements for the refund of monies to you. Please refer to the additional information provided by the designated White Form eIPO Service Provider on the designated website at **www.eipo.com.hk**.

Otherwise, any monies payable to you due to a refund for any of the reasons set out below in the paragraph entitled "Despatch/Collection of Share Certificates/e-Refund Payment Instructions/Refund Cheques" shall be made pursuant to the arrangements described below in the sub-section entitled "How many applications you may make by means of White Form eIPO."

Time for submitting White Form eIPO

You may submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** from 9:00 a.m. on Thursday, 18 March 2010 until 11:30 a.m. on Tuesday, 23 March 2010 or such later time as described in the paragraph above entitled "Effect of Bad Weather on the Opening of the Application Lists" (24 hours daily, except on the last application day). The latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Tuesday, 23 March 2010, the last application day, or, if the application lists are not open on that day, then by the time and date stated in "Effect of Bad Weather on the Opening of the Application Lists" above.

You will not be permitted to submit your application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** after 11:30 a.m. on the last day for submitting applications. **If you have already submitted your application and obtained an application reference number from the website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close. If you do not make complete payment of the application monies (including any related fees) at or before 12:00 noon on Tuesday, 23 March 2010, or such later time as described under the paragraph entitled "Effect of Bad Weather on the Opening of the Application Lists", the designated White Form eIPO Service Provider will reject your application and your application monies will be returned to you in the manner described in the designated website at www.eipo.com.hk.**

How many applications you may make by means of White Form eIPO

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit to the designated White Form eIPO Service Provider to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service by giving **electronic application instructions** through the designated website at **www.eipo.com.hk** and completing payment in respect of such **electronic application instructions**, or of submitting one application through the **White Form eIPO** service and one or more applications by any other means, all of your applications are liable to be rejected.

Please also note the additional information relating to refund of application monies overpaid, application money underpaid or applications rejected by the designated White Form eIPO Service Provider set out in the paragraph entitled "Additional Information" above.

APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC

General

CCASS Participants may give **electronic application instructions** to HKSCC to apply for the Hong Kong Offer Shares and to arrange payment of the monies due on application and payment of refunds. This will be in accordance with their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.

If you are a CCASS Investor Participant, you may give **electronic application instructions** through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System (**https://ip.ccass.com**) (using the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Centre
2/F, Vicwood Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

Prospectuses are available for collection from the above address.

If you are not a **CCASS Investor Participant**, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You are deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application, whether submitted by you or through your broker or custodian, to our Company and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC to apply for Hong Kong Offer Shares by HKSCC Nominees on Your Behalf

Where a **WHITE** Application Form is signed by HKSCC Nominees on behalf of persons who have given **electronic application instructions** to apply for the Hong Kong Offer Shares:

1. HKSCC Nominees is only acting as a nominee for those persons and shall not be liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

2. HKSCC Nominees does the following things on behalf of each such person:

    - **agrees** that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the stock account of the CCASS Participant who has inputted **electronic application instructions** on that person's behalf or that person's CCASS Investor Participant stock account;

    - **undertakes** and **agrees** to accept the Hong Kong Offer Shares in respect of which that person has given **electronic application instructions** or any lesser number;

- **undertakes** and **confirms** that that person has not applied for, taken up or indicated an interest in, nor received or been placed or allocated (including conditionally and/or provisionally), and will not apply for or take up or indicate any interest in any International Offer Shares in the International Offering, and has not otherwise participated in the International Offering and will not do so;

- (if the **electronic application instructions** are given for that person's own benefit) **declares** that only one set of **electronic application instructions** has been given for that person's benefit;

- (if that person is an agent for another person) **declares** that that person has only given one set of **electronic application instructions** for the benefit of that other person and that that person is duly authorised to give those instructions as that other person's agent;

- **agrees** that the above declaration will be relied upon by our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Sole Lead Manager in deciding whether or not to make any allotment of Hong Kong Offer Shares in respect of the **electronic application instructions** given by that person and that that person may be prosecuted if he makes a false declaration;

- **authorises** our Company to place the name of HKSCC Nominees on the register of members of our Company as the holder of the Hong Kong Offer Shares allotted in respect of that person's **electronic application instructions** and to send share certificate(s) and/or refund money in accordance with the arrangements separately agreed between our Company and HKSCC;

- **confirms** that that person has read the terms and conditions and application procedures set out in this prospectus and agrees to be bound by them and is aware of the restrictions on the Hong Kong Public Offer described in this prospectus;

- **confirms** that that person has only relied on the information and representations in this prospectus in giving that person's **electronic application instructions** or instructing that person's broker or custodian to give **electronic application instructions** on that person's behalf and will not rely on any other information and representations save as set out in any supplement to this prospectus;

- **agrees** that our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Hong Kong Underwriters and any of their respective directors, officers, employees, partners, agents and advisors and any other parties involved in the Global Offering are not liable for the information and representations not contained in this prospectus and any supplement thereto;

- **agrees** to disclose that person's personal data to our Company, our Hong Kong Share Registrar, Receiving Banks, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and their respective advisors and agents, and any information which they may require about that person;

- **agrees** (without prejudice to any other rights which that person may have) that once the application of HKSCC Nominees is accepted, the application cannot be rescinded for innocent misrepresentation or other than as provided in this prospectus;

- **agrees** that any application made by HKSCC Nominees on behalf of that person pursuant to **electronic application instructions** given by that person is irrevocable before Thursday, 15 April 2010, such agreement to take effect as a collateral contract with our Company and to become binding when that person gives the instructions and such collateral contract to be in consideration of our Company agreeing that we will not offer any Hong Kong Offer Shares to any person before Thursday, 15 April 2010 except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus;

- **agrees** that once the application made by HKSCC Nominees on your behalf is accepted, neither that application nor that person's **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by the announcement of the results of the Hong Kong Public Offer published by our Company;

- **agrees** with our Company, for ourselves and for the benefit of each of our Shareholders (and so that we will be deemed by our acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for ourselves and on behalf of each of our Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Memorandum of Association and the Bye-laws;

- **agrees** to the arrangements, undertakings and warranties specified in the participant agreement between that person and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, in respect of the giving of **electronic application instructions** relating to Hong Kong Offer Shares; and

- **agrees** that that person's application, any acceptance of it and the resulting contract will be governed by and construed in accordance with the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to our Company or any other person in respect of the things mentioned below:

- **instructed** and **authorised** HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- **instructed** and **authorised** HKSCC to arrange payment of the maximum Offer Price, brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the initial Offer Price per Share paid on application, refund of the application monies, in each case including brokerage, the SFC transaction levy and the Hong Kong Stock Exchange trading fee, by crediting your designated bank account; and
- **instructed** and **authorised** HKSCC to cause HKSCC Nominees to do on your behalf all the things which it is stated to do on your behalf in the **WHITE** Application Form.

Multiple Applications

If you have made an application by giving **electronic application instructions** to HKSCC and you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares in respect of which you have given such instructions and/or in respect of which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purpose of considering whether multiple applications have been made.

Minimum Subscription Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** in respect of a minimum of 400 Hong Kong Offer Shares. Such instructions in respect of more than 400 Hong Kong Offer Shares must be in one of the numbers set out in the table in the **WHITE** and **YELLOW** Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:

Thursday, 18 March 2010	**–**	**9:00 a.m. to 8:30 p.m.**(1)
Friday, 19 March 2010	**–**	**8:00 a.m. to 8:30 p.m.**(1)
Saturday, 20 March 2010	**–**	**8:00 a.m. to 1:00 p.m.**(1)
Monday, 22 March 2010	**–**	**8:00 a.m. to 8:30 p.m.**(1)
Tuesday, 23 March 2010	**–**	**8:00 a.m.**(1) **to 12:00 noon**

(1) These times are subject to changes as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Thursday, 18 March 2010 until 12:00 noon on Tuesday, 23 March 2010 (24 hours daily, except the last application day).

Effect of Bad Weather Conditions on the Opening of The Application Lists

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Tuesday, 23 March 2010, the last application day. If there is:

- a tropical cyclone warning signal number 8 or above; or
- a "black" rainstorm warning signal,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Tuesday, 23 March 2010, the last application day will be postponed to the next Business Day which does not have either of those warning signals in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on such day.

If the application lists of the Hong Kong Public Offer do not open and close on Tuesday, 23 March 2010, or if there is a tropical cyclone warning signal number 8 or above or a "black" rainstorm warning signal in force in Hong Kong on the other dates mentioned in the section entitled "Expected Timetable", such dates may be affected and an announcement will be made in such event.

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit each such instruction is given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- No temporary documents of title will be issued. No receipt will be issued for application monies received.

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of the stock account of the CCASS Participant which you have instructed to give **electronic application instructions** on your behalf or your CCASS Investor Participant stock account at the close of business on Monday, 29 March 2010 or, in the event of a contingency, on any other date as shall be determined by HKSCC or HKSCC Nominees.

- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner, if supplied), your Hong Kong identity card/passport number or other identification code (Hong Kong Business Registration number for corporations) and the basis of allotment of the Hong Kong Public Offer in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Monday, 29 March 2010. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Monday, 29 March 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees.

- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.

- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Monday, 29 March 2010. Immediately after the credit of the Hong Kong Offer Shares to your CCASS Investor Participant stock account and the credit of any refund monies to your designated bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the initial price per Share paid on application, in each case including brokerage of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005%, will be credited to your designated bank account or the designated bank account of your broker or custodian on Monday, 29 March 2010. No interest will be paid thereon.

Section 40 of the Companies Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under section 40 of the Companies Ordinance.

Warning

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. We, our Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Hong Kong Underwriters take no responsibility for the application and provide no assurance that any CCASS Participant will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions** to HKSCC through the CCASS Phone System or the CCASS Internet System, CCASS Investor Participants are advised not to wait until the last minute to input their **electronic application instructions** to the systems. In the event that CCASS Investor Participants have problems connecting to the CCASS Phone System or the CCASS Internet System to submit their **electronic application instructions**, they should either: (i) submit a **WHITE** or **YELLOW** Application Form; or (ii) go to HKSCC's Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Tuesday, 23 March 2010, or such later time as described under the paragraph entitled "Applying by Giving Electronic Application Instructions to HKSCC – Effect of Bad Weather Conditions on the Opening of the Application Lists" above.

RELIANCE ON WARRANTY IN THE APPLICATION

Our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Hong Kong Underwriters and their respective directors and any other parties involved in the Global Offering are entitled to rely on any warranty, representation or declaration made by you in your application.

In the event of this application being made by joint applicants, all the warranties, representations, declarations and obligations expressed to be made, given or assumed by or imposed on the joint applicants shall be deemed to have been made, given or assumed by or imposed on the applicants jointly and severally. You may be prosecuted if you make a false declaration.

HOW MANY APPLICATIONS MAY YOU MAKE

Multiple applications or suspected multiple applications are liable to be rejected.

You may make more than one application for the Hong Kong Offer Shares if and only if:

You are a nominee, in which case you may make an application as a nominee by (i) giving **electronic application instructions** to HKSCC (if you are a CCASS Participant) and (ii) lodging more than one Application Form in your own name if each application is made on behalf of different beneficial owners. In the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each of such beneficial owners. If you do not include this information, the application will be treated as being made for your benefit.

Otherwise, multiple applications are not allowed.

It will be a term and condition of all applications that by completing and delivering an Application Form, you:

- (if the application is made for your own benefit) warrant that the application made pursuant to the Application Form is the only application which will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the White Form eIPO Service Provider via the **White Form eIPO** service;
- (if the application is made by an agent on your behalf) warrant that you have validly and irrevocably conferred on your agent all necessary power and authority to make the application; and
- (if you are an agent for another person) warrant that reasonable enquiries have been made of that other person to ascertain that this is the only application which has been or will be made for the benefit of that other person on a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC, and that you are duly authorised to sign the Application Form as that other person's agent or to give **electronic application instructions** as that other person's agent.

Except where you are a nominee and provide the information required to be provided in your applications, all of your applications (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**) will be rejected as multiple applications if you, or you and your joint applicant(s) together:

- make more than one application (whether individually or jointly) on a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC; or
- both apply (whether individually or jointly) on one **WHITE** Application Form and one **YELLOW** Application Form or on one **WHITE** or **YELLOW** Application Form and through the **White Form eIPO** service or give **electronic application instructions** to HKSCC; or
- apply on one **WHITE** or **YELLOW** Application Form (whether individually or jointly) or to the White Form eIPO Service Provider through the **White Form eIPO** service or by giving **electronic application instructions** to HKSCC for more than 14,463,600 Shares, being 50% of the Shares initially being offered for public subscription under the Hong Kong Public Offer as more particularly described in the paragraph entitled "Structure of the Global Offering – The Hong Kong Public Offer"; or
- have applied for or taken up, or indicated an interest in, or will apply for or take up, or indicate an interest in, or have received or been or will receive or be placed or allocated (including conditionally and/or provisionally) International Offer Shares under the International Offering, or otherwise participated in the International Offering.

All of your applications will also be rejected as multiple applications if more than one application is made for **your benefit** (including the part of an application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being made for your benefit.

Unlisted company means a company with no equity securities listed on the Hong Kong Stock Exchange.

Statutory control means you:

- control the composition of the board of directors of the company; or
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED HONG KONG OFFER SHARES

Full details of the circumstances in which you will not be allotted Hong Kong Offer Shares are set out in the notes attached to the Application Forms (whether you are making your application by an Application Form or to the White Form eIPO Service Provider through the **White Form eIPO** service or electronically instructing HKSCC to cause HKSCC Nominees to apply on your behalf), and you should read them carefully. You should note in particular the following situations in which Shares will not be allotted to you or your application is liable to be rejected:

- **If your application is revoked:**

  By completing and submitting an Application Form or applying to the White Form eIPO Service Provider through the **White Form eIPO** service or giving **electronic application instructions** to HKSCC, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before Thursday, 15 April 2010. This agreement will take effect as a collateral contract with us, and will become binding when you lodge your Application Form or apply to the White Form eIPO Service Provider through the **White Form eIPO** service or submit your **electronic application instructions** to HKSCC and an application has been made by HKSCC Nominees on your behalf accordingly. This collateral contract will be in consideration of us agreeing that we will not offer any Hong Kong Offer Shares to any person on or before Thursday, 15 April 2010, except by means of one of the procedures referred to in this prospectus.

  Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is not a Business Day), if a person responsible for this prospectus under section 40 of the Companies Ordinance gives a public notice under that section which excludes or limits the responsibility of that person for this prospectus. If any supplement to this prospectus is issued, applicant(s) who have already submitted an application may or may not (depending on the information contained in the supplement) be notified that they can withdraw their applications. If applicant(s) have not been so notified, or to the extent that applicant(s) have been notified but have not withdrawn their applications in accordance with the procedure to be notified, all applications that have been submitted remain valid and may be accepted. Subject to the above, an application once made is irrevocable and applicants shall be deemed to have applied on the basis of the prospectus as supplemented.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the announcement of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot, respectively.

- **Full discretion of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner or the designated White Form eIPO Service Provider to reject or accept your application:**

  We, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner or the designated White Form eIPO Service Provider have/has full discretion to reject or accept any application, or to accept only part of any application. No reasons have to be given for any rejection or acceptance.

- **If the allotment of Hong Kong Offer Shares is void:**

  The allotment of Hong Kong Offer Shares to you or to HKSCC Nominees (if you give **electronic application instruction** to HKSCC or apply by a **YELLOW** Application Form) will be void if the Listing Committee does not grant permission to list the Shares either:

  – within three weeks from the closing of the application lists; or

  – within a longer period of up to six weeks if the Listing Committee notifies us of that longer period within three weeks of the closing date of the application lists.

- **You will not receive any allotment if:**

  – you make multiple applications or suspected multiple applications;

  – you or the person whose benefit you apply for have taken up or indicated an interest or applied for or received or have been or will be placed or allocated (including conditionally and/or provisionally) International Offer Shares in the International Offering. By filling in any of the Application Forms or applying to the White Form eIPO Service Provider through the **White Form eIPO** service or applying by giving **electronic application instructions** to HKSCC via CCASS, you agree not to apply for International Offer Shares in the International Offering. Reasonable steps will be taken to identify and reject applications in the Hong Kong Public Offer from investors who have received International Offer Shares in the International Offering, and to identify and reject indications of interest in the International Offering from investors who have received Hong Kong Offer Shares in the Hong Kong Public Offer;

– your payment is not made correctly or you pay by cheque or banker's cashier order and the cheque or banker's cashier order is dishonoured upon its first presentation;

– your Application Form is not completed correctly in accordance with the instructions in the Application Form (if you apply by an Application Form);

– the Underwriting Agreements do not become unconditional;

– the Company, the Sole Sponsor and/or the Sole Bookrunner believe that, by accepting your application, they would violate the applicable securities or other laws, rules or regulations;

– your application is for more than 50% of the Hong Kong Offer Shares initially being offered for public subscription under the Hong Kong Public Offer;

– the Underwriting Agreements are terminated in accordance with their respective terms;

– your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions set out in the designated website at **www.eipo.com.hk**; or

– the application is not for one of the numbers of Shares set out in the table in the Application Form.

You should also note that you may apply for Shares under the Hong Kong Public Offer or indicate an interest for Shares under the International Offering, but may not do both.

PUBLICATION OF RESULTS

We expect to announce the final Offer Price, the level of indications of interest in the International Offering, the level of applications and the basis of allotment under the Hong Kong Public Offer on Monday, 29 March 2010 in the South China Morning Post (in English), in the Hong Kong Economic Times (in Chinese), on our website (**www.manwahholdings.com**) (in English and in Chinese) and on the Hong Kong Stock Exchange's website (**www.hkexnews.hk**).

The results of allocations in the Hong Kong Public Offer, including the Hong Kong identity card/passport/Hong Kong business registration numbers (when supplied) of successful applicants and the number of Hong Kong Offer Shares successfully applied for under **WHITE** and **YELLOW** Application Forms, by **White Form eIPO** and by giving **electronic application instructions** to HKSCC via CCASS, will also be available at the times and date and in the manner specified below:

- Results of allocation for the Hong Kong Public Offer will be available on our announcement to be posted on our Company's website (**www.manwahholdings.com**) (in English and Chinese) and on the Hong Kong Stock Exchange's website (**www.hkexnews.hk**) from 9:00 a.m. on Monday, 29 March 2010;
- Results of allocations for the Hong Kong Public Offer will be available at our results of allocations website at **www.iporesults.com.hk** on a 24-hour basis from 8:00 a.m. on Monday, 29 March 2010 to 12:00 midnight on Sunday, 4 April 2010. The user will be required to key in the Hong Kong identity card/passport/Hong Kong business registration number provided in his/her/its application to search for his/her/its own allocation result;
- Results of allocations will be available from our Hong Kong Public Offer allocation results telephone enquiry line. Applicants may find out whether or not their applications have been successful and the number of Hong Kong Offer Shares allocated to them, if any, by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Monday, 29 March 2010 to Thursday, 1 April 2010; and
- Special allocation results booklets setting out the results of allocations will be available for inspection during opening hours of individual branches and sub-branches from Monday, 29 March 2010 to Wednesday, 31 March 2010 at all the receiving bank branches and subbranches at the addresses set out in the section entitled "How to Apply for Hong Kong Offer Shares – Applying by Using an Application Form – Where to Collect the Prospectus and Application Forms" of this prospectus.

DESPATCH/COLLECTION OF SHARE CERTIFICATES/e-REFUND PAYMENT INSTRUCTIONS/REFUND CHEQUES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than HK$11.80 per Offer Share (excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee thereon) paid on application, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section entitled "Structure of the Global Offering – Conditions of the Hong Kong Public Offer" or if any application is revoked or any allotment pursuant thereto has become void, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee, will be refunded, without interest. All interest accrued on such monies prior to the date of refund will be retained for our benefit. It is intended that special efforts will be made to avoid any undue delay in refunding application monies where appropriate. In a contingency situation involving a substantial over-subscription, at the discretion of our Company, the Sole Sponsor and the Sole Bookrunner, cheques for applications made on Application Forms for certain small denominations of Hong Kong Offer Shares (apart from successful applications) may not be cleared.

You will receive one share certificate for all the Hong Kong Offer Shares issued to you under the Hong Kong Public Offer (except pursuant to applications made on **YELLOW** Application Forms or by electronic instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application but, subject to personal collection as mentioned below, in due course the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the application:

(a) for applicants on **WHITE** Application Forms or through the **White Form eIPO** service: (i) share certificate(s) for all the Hong Kong Offer Shares applied for, if the application is wholly successful; or (ii) share certificate(s) for the number of Hong Kong Offer Shares successfully applied for, if the application is partially successful (except for wholly successful and partially successful applicants on **YELLOW** Application Forms whose share certificates will be deposited into CCASS as described below); and/or

(b) for applicants on **WHITE** and **YELLOW** Application Forms, refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for: (i) the surplus application monies for the Hong Kong Offer Shares unsuccessfully applied for, if the application is partially unsuccessful; or (ii) all the application monies, if the application is wholly unsuccessful; and/or (iii) the difference between the Offer Price and the maximum Offer Price per Hong Kong Public Offer Share paid on application in the event that the Offer Price is less than the price per Hong Kong Public Offer Share initially paid on application, in each case including brokerage at the rate of 1%, SFC transaction levy of 0.004% and Hong Kong Stock Exchange trading fee of 0.005% attributable to such refund/surplus monies but without interest. Part of your Hong Kong identity card number or passport number, or, if you are joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by you may be printed on your refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Your banker may require verification of your Hong Kong identity card number or passport number before encashment of your refund cheque. Inaccurate completion of your Hong Kong identity card number or passport number may lead to delay in encashment or may invalidate your refund cheque.

Subject to personal collection as mentioned below, refund cheques for surplus application monies (if any) in respect of wholly and partially unsuccessful applications and the difference between the Offer Price and the maximum Offer Price per Share paid on application under **WHITE** or **YELLOW** Application Form(s), and share certificates for successful applicants under **WHITE** Application Forms or through the **White Form eIPO** service are expected to be despatched and/or available for collection (as the case may be) on or around Monday, 29 March 2010. The right is reserved to retain any share certificates and any surplus application monies pending clearance of cheque(s).

Share certificates will only become valid certificates of title at 8:00 a.m. on Tuesday, 30 March 2010 provided that the Global Offering has become unconditional in all respects and the right of termination described in the section entitled "Underwriting – Grounds for Termination" of this prospectus has not been exercised.

If you apply using a WHITE Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **WHITE** Application Form to collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) in person, you may collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Monday, 29 March 2010 or such other date as notified by us in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques. If you are an individual, you must not authorise any other person to make collection on your behalf. If you are a corporate applicant, you must attend by your authorised representative bearing a letter of authorisation from your corporation stamped with your company chop. Both individuals and authorised representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our Hong Kong Share Registrar. If you do not collect your refund cheque(s) (where applicable) and/or share certificate(s) (where applicable) within the time period specified for collection, they will be despatched promptly thereafter to you by ordinary post to the address specified in your Application Form at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares or if you apply for 1,000,000 Hong Kong Offer Shares or more but have not indicated on your Application Form that you will collect your refund cheque(s) (where applicable) and share certificate(s) (where applicable) in person, or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section entitled "Structure of the Global Offering – Conditions of the Hong Kong Public Offer," or if your application is revoked or any allotment pursuant thereto has become void, your share certificate(s) and/or refund cheque(s) (where applicable) in respect of the application monies or the appropriate parts thereof, together with the related brokerage, Hong Kong Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on the date of despatch, which is expected to be on the date of despatch, which is expected to be Monday, 29 March 2010, by ordinary post and at your own risk.

If you apply using a YELLOW Application Form

If you apply for Hong Kong Offer Shares using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your CCASS Investor Participant stock account or the stock account of your designated CCASS Participant as instructed by you in your Application Form at the close of business on Monday, 29 March 2010, or in the event of a contingency situation, on any other date as shall be determined by HKSCC or HKSCC Nominees.

If you apply for 1,000,000 Hong Kong Offer Shares or more and you have elected on your **YELLOW** Application Form to collect your refund cheque(s) (where applicable) in person, please follow the same instructions as those for **WHITE** Application Form applicants as described above. If you have applied for 1,000,000 Hong Kong Offer Shares or above and have not indicated on your Application Form that you will collect your refund cheque(s) (if any) in person, or if you have applied for less than 1,000,000 Hong Kong Offer Shares, or you do not collect your refund cheque(s) (if any) in person within the time specified for collection where you have indicated on your **YELLOW** Application Form that you wish to collect such in person, or if your application is rejected, not accepted or accepted in part only, or if the conditions of the Hong Kong Public Offer are not fulfilled in accordance with the section entitled "Structure of the Global Offering – Conditions of the Hong Kong Public Offer", or if your application is revoked or any allotment pursuant thereto has become void, your refund cheque(s) (if any) in respect of the application monies or the appropriate parts thereof, together with the related brokerage, Hong Kong Stock Exchange trading fee, and SFC transaction levy, if any, (without interest) will be sent to the address on your Application Form on the date of despatch, which is expected to be on Monday, 29 March 2010, by ordinary post and at your own risk.

If you apply by giving electronic application instructions to HKSCC

If you are applying through a designated CCASS Participant (other than a CCASS Investor Participant) for Hong Kong Offer Shares credited to the stock account of your designated CCASS Participant (other than a CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS Participant.

If you are applying as a CCASS Investor Participant, we expect to publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offer in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on Monday, 29 March 2010. You should check the announcement published by us and report any discrepancies to HKSCC or HKSCC Nominees before 5:00 p.m. on Monday, 29 March 2010 or such other date as shall be determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System or the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time). HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your stock account.

If you apply by using the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more through the **White Form eIPO** service by submitting an electronic application to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** and your application is wholly or partially successful, you may collect your share certificate(s) in person from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Monday, 29 March 2010, or such other date as notified by our Company in the newspapers as the date of despatch/collection of share certificates/e-Refund payment instructions/refund cheques. If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** promptly thereafter by ordinary post and at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) will be sent to the address specified in your application instructions to the designated White Form eIPO Service Provider through the designated website at **www.eipo.com.hk** on Monday, 29 March 2010 by ordinary post and at your own risk.

If you paid the application monies from a single bank account, e-Refund payment instructions (if any) will be despatched to your application payment bank account on Monday, 29 March 2010. If you used multiple bank accounts to pay the application monies, refund cheque (if any) will be despatched to the address specified in your electronic application instructions to the White Form eIPO Service Provider by ordinary post and at your own risk, on Monday, 29 March 2010.

PERSONAL DATA

Personal Information Collection Statement

This Personal Information Collection Statement informs the applicant for and holder of the Hong Kong Offer Shares of the policies and practices of our Company, our Hong Kong Share Registrar, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and any of their respective advisors and agents in relation to personal data and the Personal Data Privacy Ordinance ("PDPO").

1. Reasons for the collection of your personal data

From time to time it is necessary for applicants for securities or registered holders of securities to supply their latest correct personal data to our Company and our Hong Kong Share Registrar when applying for securities or transferring securities into or out of their names or in procuring the services of the Hong Kong Share Registrar.

Failure to supply the requested data may result in your application for securities being rejected or in delay or inability of our Company or our Hong Kong Share Registrar to effect transfers of the Hong Kong Offer Shares or otherwise render their services. It may also prevent or delay registration or transfer of the Hong Kong Offer Shares which you have successfully applied for and/or the despatch of share certificate(s), e-Refund payment instructions and/or refund cheque(s) (where applicable) to which you are entitled.

It is important that the applicants and holders of securities shall inform our Company and our Hong Kong Share Registrar immediately of any inaccuracies in the personal data supplied.

2. Purposes

The personal data of the applicants and the holders of securities may be used, held and/or stored (by whatever means) for the following purposes:

- processing of your application and e-Refund payment instructions/refund cheque, (where applicable), and verification of compliance with the terms and application procedures set out in the Application Forms and this prospectus and announcing results of allocations of the Hong Kong Offer Shares;
- enabling compliance with all applicable laws and regulations in Hong Kong and elsewhere;
- registering the Hong Kong Offer Shares or transfers into or out of the name of holder(s) of securities including, where applicable, in the name of HKSCC Nominees;
- maintaining or updating the registers of holders of securities of our Company;
- conducting or assisting to conduct signature verifications, any other verification or exchange of information;
- establishing benefit entitlements of holders of securities of our Company, such as dividends, rights issues and bonus issues;
- distributing communications from our Company and our subsidiaries;
- compiling statistical information and shareholder profiles;
- making disclosures as required by any laws, rules or regulations (whether statutory or otherwise), the Hong Kong Stock Exchange, the SFC and any other statutory or governmental bodies;
- disclosing identities of successful applicants by way of press announcement(s) or otherwise;
- disclosing relevant information to facilitate claims on entitlements; and
- any other incidental or associated purposes relating to the above and/or to enable our Company and our Hong Kong Share Registrar to discharge our obligations to holders of securities and/or regulators and/or other purpose to which the holders of securities may from time to time agree.

3. Transfer of personal data

Personal data held by our Company and our Hong Kong Share Registrar relating to the applicants and holders of securities will be kept confidential but our Company and our Hong Kong Share Registrar, to the extent necessary for achieving the above purposes or any of them, may make such inquiries as they consider necessary to confirm the accuracy of the personal data and in particular, they may disclose, obtain or transfer (whether within or outside Hong Kong) the personal data of the applicants and the holders of securities to or from any and all of the following persons and entities:

- our Company, our advisors or our appointed agents such as financial advisors and receiving bankers and overseas principal registrars;
- where applicants for Shares request deposit into CCASS, to HKSCC and/or HKSCC Nominees, who will use the personal data for the purposes of operating CCASS;
- any agents, contractors or third-party service providers who offer administrative, telecommunications, computer, payment or other services to our Company and/or our Hong Kong Share Registrar in connection with the operation of their respective businesses;
- the Hong Kong Stock Exchange, the SFC and any other statutory, regulatory or governmental bodies; and
- any other persons or institutions with which the holders of securities have or propose to have dealings, such as their bankers, solicitors, accountants or stockbrokers.

By signing an Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider via **White Form eIPO** service, you agree to all of the above.

4. Access and correction of personal data

The PDPO provides the applicants and holders of securities with rights to ascertain whether our Company and/or our Hong Kong Share Registrar hold their personal data, to obtain a copy of that data, and to correct any data that is inaccurate. In accordance with the PDPO, our Company and our Hong Kong Share Registrar have the right to charge a reasonable fee for the processing of any data access request. All requests for access to data or correction of data or for information regarding policies and practices or the kinds of data held should be addressed to our Company for the attention of our company secretary at our registered address disclosed in the section entitled "Corporate Information" in this prospectus or as notified from time to time in accordance with applicable laws or (as the case may be) our Hong Kong Share Registrar for the attention of the privacy compliance officer (for the purposes of the PDPO).

COMMENCEMENT OF DEALINGS IN THE SHARES

Assuming that the Hong Kong Public Offer becomes unconditional at or before 8:00 a.m. in Hong Kong on Tuesday, 30 March 2010, dealings in the Shares on the Hong Kong Stock Exchange are expected to commence on Tuesday, 30 March 2010 at 9:30 a.m. The Shares will be traded in board lots of 400 Shares each. Our stock code is 01999.

Any share certificates in respect of Hong Kong Offer Shares collected or received by successful applicants will not be valid if the Global Offering is terminated in accordance with the terms of the Underwriting Agreements.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

If the Hong Kong Stock Exchange grants the listing of and permission to deal in the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements will affect their rights and interests.

All necessary arrangements have been made for the Shares to be admitted into CCASS.

Deloitte.
德勤

德勤 • 關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

18 March 2010

The Directors
Man Wah Holdings Limited
Macquarie Capital Securities Limited

Dear Sirs,

We set out below our report on the financial information ("Financial Information") regarding Man Wah Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for each of the three years ended 31 March 2009 and six months ended 30 September 2009 (the "Track Record Period"), for inclusion in the prospectus of the Company dated 18 March 2010 (the "Prospectus").

The Company was incorporated and registered as an exempted company with limited liability in Bermuda under the Companies Act 1981 of Bermuda (as amended) on 4 November 2004. The Company was previously listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Pursuant to a privatisation which was completed in September 2009, the Company was delisted from the SGX-ST on 15 September 2009. Through a corporate reorganisation, as more fully explained in the paragraph headed Reorganisation in Appendix VI to the Prospectus, Man Wah Investments Limited ("Man Wah Investments"), the ultimate holding company of the Company, and Mr. Yu Tung Wan transferred their entire interest in Famous Bedding Company Limited ("Famous Bedding" and together with its subsidiaries referred to as "Famous Bedding Group") to the Company by means of an exchange of shares on 7 December 2009. The Company became the holding company of Famous Bedding on 7 December 2009. Famous Bedding Group is engaged primarily in the manufacturing and trading and distribution of mattress and bedding accessories in the mainland People's Republic of China (the "PRC"). The Company became the holding company of companies now comprising the Group which is principally engaged in production and distribution of sofa, bedding accessories and other furnitures on 7 December 2009.

Deloitte & Touche LLP, Singapore have acted as auditor of the Company for each of the three years ended 31 March 2009. All companies now comprising the Group have adopted 31 March as their financial year ended. However, as a statutory requirement, those subsidiaries established in the PRC prepare their statutory accounts on a calendar year basis. Throughout the Track Record Period and as at the date of this report, the Company has interests in the following entities:

Company Name	Country and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company					Principal activities
			At 31 March			At 30 September	At date of report	
			2007	2008	2009	2009		
Subsidiaries								
Directly owned								
Man Wah Group Limited ("Man Wah Group")	British Virgin Islands ("BVI") 27 August 2004	US$50,000	100%	100%	100%	100%	100%	Investment holding
Man Wah USA, Inc. ("Man Wah USA")	United States of America ("USA") 16 August 2005	US$310,000	100%	100%	100%	100%	100%	Advertising and marketing of home finishing products
Indirectly owned								
Man Wah Industrial Company Limited 敏華實業有限公司	Hong Kong 25 January 1994	HK$3,000,000	100%	100%	100%	100%	100%	Investment holding, manufacturing and trading of sofa and other furniture
Man Wah (Macao Commercial Offshore) Limited ("Man Wah Macau")	Macau 20 June 2005	MOP100,000	100%	100%	100%	100%	100%	Offshore sales, management business consultancy, back office support
Man Wah Industrial (Wujiang) Co., Ltd.* [1] 敏華實業(吳江)有限公司 ("Man Wah Wujiang")	The PRC 23 May 2008	US$60,000,000	N/A	N/A	100%	100%	100%	Manufacturing and trading of sofa, bedding products, other furniture and foam
Man Wah (International) Industrial Limited 敏華(國際)實業有限公司	Hong Kong 20 April 1995	HK$100	100%	100%	100%	100%	100%	Trading of sofa and other furniture and property investment
Man Wah Rong Furniture (Shenzhen) Co., Ltd.* [1] 敏華榮家具(深圳)有限公司 ("Man Wah Rong")	The PRC 20 May 1998	US$200,000	100%	100%	100%	100%	100%	Designing and manufacturing of sofa and trading of other furniture

Company Name	Country and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company					Principal activities
			At 31 March			At 30 September	At date of report	
			2007	2008	2009	2009		
Shenzhen New Uifa Furniture Manufacturing Co., Ltd.* [1] 新歐化家具製造（深圳）有限公司 ("New Uifa") (note (i))	The PRC 24 August 1994	RMB4,000,000	100%	100%	100%	100%	N/A	Manufacturing of foam and inactive since December 2007
Man Wah Furniture Manufacturing (Huizhou) Co., Ltd.* [1] 敏華家具製造（惠州）有限公司 ("Man Wah Huizhou")	The PRC 23 June 2005	US$54,800,000	100%	100%	100%	100%	100%	Manufacturing and trading of sofa
Man Wah Furniture Manufacturing (Shenzhen) Co., Ltd.* [1] 敏華家具製造（深圳）有限公司 ("Man Wah Furniture (SZ)")	The PRC 20 October 2004	HK$1,000,000	100%	100%	100%	100%	100%	Manufacturing of sofa
Shenzhen Carnival Home Furnishing Co., Ltd.* [2] 深圳嘉年名華家具有限公司 ("Shenzhen Carnival")	The PRC 8 January 2007	RMB500,000	100%	100%	100%	100%	100%	Trading of sofa and other furniture
Shanghai Carnival Home Furnishing Co., Ltd.* [2] 上海嘉年名華家具製造有限公司 ("Shanghai Carnival")	The PRC 14 November 2006	RMB1,000,000	100%	100%	100%	100%	100%	Trading of sofa and other furniture
Huizhou Carnival Home Furnishing Co., Ltd.* [2] 惠州市嘉年名華家具有限公司 ("Huizhou Carnival")	The PRC 8 February 2007	RMB500,000	100%	100%	100%	100%	100%	Trading of furniture
Guangzhou Man Wah Home Furnishing Co., Ltd.*[2] 廣州敏華家具有限公司 ("Guangzhou Man Wah")	The PRC 4 January 2007	RMB500,000	100%	100%	100%	100%	100%	Trading of furniture
Wuhan Man Wah Home Furnishing Co., Ltd.* [2] 武漢敏華家具有限公司 ("Wuhan Man Wah")	The PRC 18 January 2007	RMB500,000	100%	100%	100%	100%	100%	Trading of furniture

Company Name	Country and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company				At date of report	Principal activities
			At 31 March			At 30 September		
			2007	2008	2009	2009		
Shanghai Man Wah Furniture Co., Ltd.* [2] 上海敏華家具有限公司 ("Shanghai Man Wah")	The PRC 11 February 2009	RMB1,000,000	N/A	N/A	100%	100%	100%	Trading of furniture
Nanchang Man Wah Furniture Co., Ltd.* [2] 南昌敏華家具有限公司 ("Nanchang Man Wah")	The PRC 13 March 2009	RMB500,000	N/A	N/A	100%	100%	100%	Trading of furniture
Hangzhou Man Wah Furniture Co., Ltd.* [2] 杭州名華軒家具有限公司 ("Hangzhou Man Wah")	The PRC 25 May 2009	RMB500,000	N/A	N/A	N/A	100%	100%	Trading of furniture
Xi An Man Wah Furniture Co., Ltd.* [2] 西安名華軒家具有限公司 ("Xi An Man Wah")	The PRC 17 April 2009	RMB500,000	N/A	N/A	N/A	100%	100%	Trading of furniture
Zhuhai Man Wah Furniture Co., Ltd.* [2] 珠海敏華家具有限公司 ("Zhuhai Man Wah")	The PRC 9 October 2009	RMB500,000	N/A	N/A	N/A	N/A	100%	Trading of furniture
Dongguan Man Wah Furniture Co., Ltd.* [2] 東莞敏華家具有限公司 ("Dongguan Man Wah")	The PRC 25 September 2009	RMB500,000	N/A	N/A	N/A	100%	100%	Trading of furniture
Dalian Man Wah Furniture Co., Ltd.* [2] 大連敏華家具有限公司 ("Dalian Man Wah")	The PRC 24 September 2009	RMB500,000	N/A	N/A	N/A	100%	100%	Trading of furniture
Famous Bedding 雅典床具有限公司	Hong Kong 26 April 2000	HK$100	70%	70%	70%	70%	100%	Investment holding
King Famous Bedding Manufacturing (Shenzhen) Co., Ltd.* [1] 金雅典床具製造(深圳)有限公司 ("Bedding SZ")	The PRC 15 November 2000	HK$1,000,000	70%	70%	70%	70%	100%	Manufacturing and trading of mattress and bedding accessories
Chengdu Minhua Furniture Co., Ltd.* [2] 成都敏華家具有限公司 ("Chengdu Minhua")	The PRC 28 August 2006	RMB100,000	70%	70%	70%	70%	100%	Trading of mattress and sofa

Company Name	Country and date of incorporation/ establishment	Issued and fully paid share capital/ registered capital	Attributable equity interest held by the Company At 31 March 2007	2008	2009	At 30 September 2009	At date of report	Principal activities
Beijing Min Hua Ai Meng Furniture Co., Ltd.* [2] 北京敏華愛蒙家具有限公司 ("Beijing Min Hua Ai Meng")	The PRC 1 April 2008	RMB500,000	N/A	N/A	70%	70%	100%	Trading of mattress
Shenzhen An Lan Da Furniture Co., Ltd.* [2] 深圳安蘭大家具有限公司 ("Shenzhen An Lan Da")	The PRC 21 April 2008	RMB500,000	N/A	N/A	70%	70%	100%	Trading of mattress
Guangzhou An Lan Da Furniture Co., Ltd.* [2] 廣州安蘭大家具有限公司 ("Guangzhou An Lan Da")	The PRC 15 May 2008	RMB500,000	N/A	N/A	70%	70%	100%	Trading of mattress
Jointly controlled entities – indirectly owned								
Huizhou Ao Li Electronic Technology Co., Ltd.* [2] 惠州市傲力電子科技有限公司 ("Huizhou Ao Li") (note (ii))	The PRC 30 August 2007	RMB3,000,000	N/A	50%	50%	50%	50%	Manufacturing and trading of message chairs and inactive since July 2008
Home Expo (Hong Kong) Limited 家居博覽(香港)有限公司	Hong Kong 6 August 2009	HK$10,000	N/A	N/A	N/A	50%	50%	Property investment
Associate – indirectly owned								
Schieder Cheers GmbH ("Schieder") (note (iii))	Germany 27 November 2006	EURO50,000	40%	N/A	N/A	N/A	N/A	Sales agency of furniture and furniture parts

* *English translated name is for identification only.*

1 These companies were established in the PRC in the form of wholly foreign-owned enterprise.

2 These companies were established in the PRC in the form of domestic enterprise.

Notes:

(i) New Uifa was liquidated on 9 February 2010.

(ii) Huizhou Ao Li is in the process of being liquidated as at the date of this report.

(iii) Schieder was liquidated during the year ended 31 March 2008.

The statutory financial statements of the PRC subsidiaries and a PRC jointly controlled entity of each of the three years ended 31 December 2008 or since their respective dates of establishment, where there is a shorter period, were prepared in accordance with relevant accounting principles and financial regulations applicable to PRC enterprises and were audited by the following certified public accountants registered in the PRC.

The statutory financial statements of the other subsidiaries and an associate for the Track Record Period or since their respective dates of incorporation/establishment, where there is a shorter period, were prepared in accordance with the relevant accounting principles and financial regulations applicable to their respective jurisdictions and were audited by Deloitte Touche Tohmatsu in Hong Kong except for the followings:

Company Name	Financial period	Name of statutory auditor#
Subsidiaries		
Man Wah Group	Note (i)	N/A
Man Wah USA	Note (i)	N/A
Man Wah (Macau)	For each of the three years ended 31 March 2009	Deloitte Touche Tohmatsu – Soliedade de Auditores
Man Wah Wujiang	Note (ii)	N/A
Man Wah Rong	For each of the three years ended 31 December 2008	Shenzhen Junhe Certified Public Accountants 深圳君合會計師事務所
New Uifa	For each of the three years ended 31 December 2008	Shenzhen Junhe Certified Public Accountants 深圳君合會計師事務所
Man Wah Huizhou	For each of the two years ended 31 December 2007	Huizhou Fangzheng Certified Public Accountants 惠州方正會計師事務所
	For the year ended 31 December 2008	Huizhou Rongde Certified Public Accountants 惠州榮德會計師事務所
Man Wah Furniture (SZ)	For each of the three years ended 31 December 2008	Shenzhen Junhe Certified Public Accountants 深圳君合會計師事務所
Shenzhen Carnival	From 8 January 2007 (date of establishment) to 31 December 2007 For the year ended 31 December 2008	Shenzhen Junhe Certified Public Accountants 深圳君合會計師事務所
Shanghai Carnival	From 14 November 2006 (date of establishment) to 31 December 2007 For the year ended 31 December 2008	Shenzhen Junhe Certified Public Accountants 深圳君合會計師事務所
Huizhou Carnival	From 8 February 2007 (date of establishment) to 31 December 2007	Shenzhen Junhe Certified Public Accountants 深圳君合會計師事務所
	For the year ended 31 December 2008	Huizhou Shi Zhengda Certified Public Accountants 惠州市正大會計師事務所

Company Name	Financial period	Name of statutory auditor#
Guangzhou Man Wah	From 4 January 2007 (date of establishment) to 31 December 2007	Shenzhen Junhe Certified Public Accountants 深圳君合會計師事務所
	For the year ended 31 December 2008	廣州志信會計師事務所有限公司
Wuhan Man Wah	From 18 January 2007 (date of establishment) to 31 December 2007	Shenzhen Junhe Certified Public Accountants 深圳君合會計師事務所
	For the year ended 31 December 2008	Hubei Sunshine Certified Public Accountants Limited 湖北陽光會計師事務所有限公司
Shanghai Man Wah	Note (ii)	N/A
Nanchang Man Wah	Note (ii)	N/A
Hangzhou Man Wah	Note (ii)	N/A
Xi An Man Wah	Note (ii)	N/A
Dongguan Man Wah	Note (ii)	N/A
Dalian Man Wah	Note (ii)	N/A
Famous Bedding	For each of the two years ended 31 March 2008	Leung & So Certified Public Accountants 梁蘇會計師事務所
Bedding SZ	For each of the two years ended 31 December 2007	Shenzhen Junhe Certified Public Accountants 深圳君合會計師事務所
	For the year ended 31 December 2008	深圳永安會計師事務所有限公司
Chengdu Minhua	From 28 August 2006 (date of establishment) to 31 December 2007	Sichuan Hengtong Certified Public Accountants Co., Ltd. 四川恒通會計師事務所有限公司
	For the year ended 31 December 2008	Sichuan Yongli Certified Public Accountants 四川永立會計師事務所有限責任公司
Beijing Min Hua Ai Meng	From 1 April 2008 (date of establishment) to 31 December 2008	深圳永安會計師事務所有限公司
Shenzhen An Lan Da	From 21 April 2008 (date of establishment) to 31 December 2008	深圳永安會計師事務所有限公司
Guangzhou An Lan Da	From 15 May 2008 (date of establishment) to 31 December 2008	廣州志信會計師事務所有限公司
Jointly controlled entity		
Huizhou Ao Li	From 30 August 2007 (date of establishment) to 31 December 2008	Huizhou Rongde Certified Public Accountants 惠州榮德會計師事務所
Associate		
Schieder	Note (i)	N/A

Notes:

(i) These companies incorporated in the BVI, USA and Germany do not prepare any audited financial statements, as there are no statutory requirements in the respective jurisdictions to do so.

(ii) No statutory audited financial statements were prepared for these companies as they are newly established that their first financial year end of the first statutory financial statements has not yet been reached.

These auditors are certified public accountants registered in their respective jurisdictions.

The Financial Information has been prepared based on audited consolidated financial statements of the Company and its subsidiaries other than the Famous Bedding Group (hereinafter collectively referred to as the "Man Wah Group") prepared in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standard Board (the "IASB") for the Track Record Period and the consolidated financial statements of the Famous Bedding Group for the Track Record Period prepared in accordance with Hong Kong Financial Reporting Standards. The above two sets of consolidated financial statements are hereinafter collectively referred to as the "Underlying Financial Statements". We have conducted audit procedures on, and Deloitte & Touche LLP, Singapore have audited, the consolidated financial statements of the Man Wah Group for each of the three years ended 31 March 2009 in accordance with International Standards on Auditing. For the purpose of this report, we have undertaken independent audits of the consolidated financial statements of the Man Wah Group for the six months ended 30 September 2009 and the consolidated financial statements of the Famous Bedding Group for the Track Record Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). We have examined the Underlying Financial Statements and performed such additional procedures as necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" as recommended by the HKICPA.

The financial information of the Group for the Track Record Period set out in this report has been prepared from the Underlying Financial Statements on the basis set out in note 1 of Section A below, after making such adjustments as we consider appropriate for the purpose of preparing our report for the inclusion in the Prospectus.

The Underlying Financial Statements are the responsibility of the directors of the Company and Famous Bedding who approved their issue. The directors of the Company are responsible for the contents of the Prospectus in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, on the basis of presentation set out in note 1 of Section A below, the Financial Information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and of the Group as at 31 March 2007, 2008 and 2009 and 30 September 2009, and of the combined results and combined cash flows of the Group for each of the three years ended 31 March 2009 and six months ended 30 September 2009.

The comparative combined statement of comprehensive income, combined statement of changes in equity and combined statement of cash flows of the Group for the six months ended 30 September 2008 together with the notes thereon (the "September 2008 Financial Information") have been extracted from the Group's unaudited combined financial information for the same period, which was prepared by the directors of the Company and Famous Bedding solely for the purpose of this report. We have reviewed the September 2008 Financial Information in accordance with the Hong Kong Standard on Review Engagement 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our review of the September 2008 Financial Information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the September 2008 Financial Information. Based on our review, nothing has come to our attention that causes us to believe that the September 2008 Financial Information is not prepared, in all material respects, in accordance with the accounting policies consistent with those used in the preparation of the Financial Information which conform with IFRSs.

A. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

		Year ended 31 March			Six months ended 30 September	
		2007	2008	2009	2008	2009
	Notes	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Revenue	5	884,870	1,543,089	1,963,837	1,021,901	1,326,646
Cost of goods sold		(648,772)	(1,050,879)	(1,262,790)	(660,963)	(777,222)
Gross profit		236,098	492,210	701,047	360,938	549,424
Other income		6,652	6,325	7,568	4,024	5,147
Other gains and losses	6	4,283	19,856	11,069	8,900	6,002
Selling and distribution expenses		(96,480)	(233,397)	(330,451)	(171,366)	(207,173)
Administrative expenses		(46,348)	(77,987)	(131,755)	(58,895)	(68,383)
Share of profit (loss) of						
– jointly controlled entities		–	303	5	246	(1,837)
– an associate		(196)	–	–	–	–
Finance costs	7	(2,036)	(4,610)	(8,031)	(4,703)	(2,318)
Profit before income tax		101,973	202,700	249,452	139,144	280,862
Income tax expense	8	(5,044)	(5,553)	(21,408)	(11,247)	(18,640)
Profit for the year/period	9	96,929	197,147	228,044	127,897	262,222
Other comprehensive income:						
Exchange differences arising on translation		3,184	15,907	10,775	12,294	–
Fair value gain on available-for-sale investment		84	186	7	7	–
Transfer to profit and loss on disposal of available-for-sale investment		–	–	(337)	(337)	–
Total comprehensive income for the year/period		100,197	213,240	238,489	139,861	262,222
Profit for the year/period attributable to:						
Equity holders of the Company		94,945	194,089	223,509	124,861	255,311
Minority interests		1,984	3,058	4,535	3,036	6,911
		96,929	197,147	228,044	127,897	262,222
Total comprehensive income for the year/period attributable to:						
Equity holders of the Company		98,111	209,791	233,745	136,599	255,311
Minority interests		2,086	3,449	4,744	3,262	6,911
		100,197	213,240	238,489	139,861	262,222
Earnings per share	11					
Basic (HK cents)		13.52	27.47	31.63	17.67	36.14

Combined Statements of Financial Position

	Notes	As at 31 March 2007 HK$'000	As at 31 March 2008 HK$'000	As at 31 March 2009 HK$'000	As at 30 September 2009 HK$'000
Non-current assets					
Property, plant and equipment	13	226,100	398,898	480,866	502,975
Investment properties	14	15,992	19,579	21,159	22,014
Lease premium for land	15	43,422	45,511	45,761	45,250
Interests in jointly controlled entities	17	–	3,616	2,039	207
Loan to a jointly controlled entity	17	–	–	–	4,995
Interest in an associate	18	–	–	–	–
Deferred tax assets	19	28	220	473	473
Deposits paid for lease premium for land		–	–	4,545	4,545
Deposits paid for acquisition of property, plant and equipment		834	23,777	715	9,200
		286,376	491,601	555,558	589,659
Current assets					
Inventories	20	185,701	232,136	214,740	263,217
Trade receivables	21	89,536	171,567	148,398	191,849
Other receivables and prepayments	21	29,353	72,715	50,521	59,283
Lease premium for land	15	930	996	1,023	1,023
Available-for-sale investment	22	3,338	3,524	–	–
Derivative financial instruments	23	–	41,004	23,651	16,527
Pledged bank deposits	24	–	–	3,531	3,531
Bank balances and cash	24	56,965	37,126	229,325	537,249
		365,823	559,068	671,189	1,072,679
Current liabilities					
Trade payables	25	71,111	130,793	116,218	215,311
Other payables and accruals	25	61,861	106,385	112,246	173,239
Amounts due to directors	26	3,082	3,570	5,554	7,737
Tax payable		2,375	4,504	11,498	20,777
Derivative financial instruments	23	–	31,013	14,033	5,441
Bank borrowings	27	45,131	87,979	72,868	127,820
		183,560	364,244	332,417	550,325
Net current assets		182,263	194,824	338,772	522,354
Total assets less current liabilities		468,639	686,425	894,330	1,112,013
Non-current liabilities					
Bank borrowings	27	26,000	67,167	77,533	44,080
Deferred tax liabilities	19	1,335	525	2,545	3,459
		27,335	67,692	80,078	47,539
		441,304	618,733	814,252	1,064,474
Capital and reserves					
Share capital	28	133,240	266,480	266,480	266,480
Reserves		305,200	346,990	537,765	784,676
Equity attributable to equity holders of the Company		438,440	613,470	804,245	1,051,156
Minority interests		2,864	5,263	10,007	13,318
Total equity		441,304	618,733	814,252	1,064,474

Statements of Financial Position of the Company

		As at 31 March			As at 30 September
		2007	**2008**	**2009**	**2009**
	Notes	**HK$'000**	**HK$'000**	**HK$'000**	**HK$'000**
Non-current assets					
Investments in subsidiaries	16	189,454	252,478	252,478	252,478
Current assets					
Other receivables and prepayments	21	79,861	20,359	15,331	13,217
Bank balances and cash	24	199	184	2,542	1,022
		80,060	20,543	17,873	14,239
Current liabilities					
Accruals	25	484	723	751	12,630
Net current assets		79,576	19,820	17,122	1,609
Total assets less current liabilities		269,030	272,298	269,600	254,087
Capital and reserves					
Share capital		133,240	266,480	266,480	266,480
Reserves	29	135,790	5,818	3,120	(12,393)
		269,030	272,298	269,600	254,087

Combined Statements of Changes in Equity

	Equity attributable to equity holders of the Company								
	Share capital	Share premium	PRC statutory reserve	Revaluation reserve	Translation reserve	Retained profits	Total	Minority interests	Total
	HK$'000	HK$'000	HK$'000 *(note)*	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2006	116,040	37,327	331	60	443	95,644	249,845	778	250,623
Exchange differences arising on translation	–	–	–	–	3,082	–	3,082	102	3,184
Profit for the year	–	–	–	–	–	94,945	94,945	1,984	96,929
Fair value gain on available-for sale investment	–	–	–	84	–	–	84	–	84
Total comprehensive income for the year	–	–	–	84	3,082	94,945	98,111	2,086	100,197
Transfer	–	–	8,874	–	–	(8,874)	–	–	–
Issue of shares	17,200	100,070	–	–	–	–	117,270	–	117,270
Share issue expense	–	(4,179)	–	–	–	–	(4,179)	–	(4,179)
Dividend paid *(note 12)*	–	–	–	–	–	(22,607)	(22,607)	–	(22,607)
At 31 March 2007	133,240	133,218	9,205	144	3,525	159,108	438,440	2,864	441,304
Exchange differences arising on translation	–	–	–	–	15,516	–	15,516	391	15,907
Profit for the year	–	–	–	–	–	194,089	194,089	3,058	197,147
Fair value gain on available-for- sale investment	–	–	–	186	–	–	186	–	186
Total comprehensive income for the year	–	–	–	186	15,516	194,089	209,791	3,449	213,240
Transfer	–	–	6,445	–	–	(6,445)	–	–	–
Bonus issue	133,240	(133,218)	–	–	–	(22)	–	–	–
Dividend paid *(note 12)*	–	–	–	–	–	(34,761)	(34,761)	(1,050)	(35,811)
At 31 March 2008	266,480	–	15,650	330	19,041	311,969	613,470	5,263	618,733
Exchange differences arising on translation	–	–	–	–	10,566	–	10,566	209	10,775
Profit for the year	–	–	–	–	–	223,509	223,509	4,535	228,044
Fair value gain on available-for-sale investment	–	–	–	7	–	–	7	–	7
Transfer to profit and loss on disposal of available-for-sale investment	–	–	–	(337)	–	–	(337)	–	(337)
Total comprehensive income for the year	–	–	–	(330)	10,566	223,509	233,745	4,744	238,489
Dividend paid *(note 12)*	–	–	–	–	–	(42,970)	(42,970)	–	(42,970)
At 31 March 2009	266,480	–	15,650	–	29,607	492,508	804,245	10,007	814,252
Profit for the period and total comprehensive income	–	–	–	–	–	255,311	255,311	6,911	262,222
Dividend paid *(note 12)*	–	–	–	–	–	(8,400)	(8,400)	(3,600)	(12,000)
At 30 September 2009	266,480	–	15,650	–	29,607	739,419	1,051,156	13,318	1,064,474
For the six months ended 30 September 2008 (unaudited)									
At 1 April 2008	266,480	–	15,650	330	19,041	311,969	613,470	5,263	618,733
Exchange differences arising on translation	–	–	–	–	12,068	–	12,068	226	12,294
Profit for the period	–	–	–	–	–	124,861	124,861	3,036	127,897
Fair value gain on available-for-sale investment	–	–	–	7	–	–	7	–	7
Transfer to profit and loss on disposal of available-for-sale investment	–	–	–	(337)	–	–	(337)	–	(337)
Total comprehensive income for the period	–	–	–	(330)	12,068	124,861	136,599	3,262	139,861
Dividend paid *(note 12)*	–	–	–	–	–	(25,249)	(25,249)	–	(25,249)
At 30 September 2008	266,480	–	15,650	–	31,109	411,581	724,820	8,525	733,345

Note: The PRC statutory reserve represents the amount transferred from profit after taxation of the subsidiaries established in the PRC in accordance with the relevant PRC laws until the PRC statutory reserve reaches 50% of the registered capital of the respective subsidiaries. The statutory reserve cannot be reduced except where approval is obtained form the relevant PRC authority to apply the amount either in setting off the accumulated losses or increasing capital. At 31 March 2008, the PRC statutory reserve has already reached 50% of the registered capital of the respective subsidiaries.

Combined Statements of Cash Flow

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
OPERATING ACTIVITIES					
Profit before income tax	101,973	202,700	249,452	139,144	280,862
Adjustments for:					
Amortisation of lease premium for land	916	953	1,020	510	511
Depreciation	9,742	19,893	37,254	14,122	17,425
Gain on disposal of available-for-sale investment	–	–	(337)	(337)	–
Gain on revaluation of investment properties	(566)	(2,733)	(1,205)	–	(855)
Impairment loss on trade receivables	26	846	3,641	9	1,190
Finance costs	2,036	4,610	8,031	4,703	2,318
Interest income	(2,944)	(875)	(436)	(146)	(636)
(Gain) loss on disposal of property, plant and equipment	(226)	58	148	(119)	29
Share of loss (profit) of:					
– jointly controlled entities	–	(303)	(5)	(246)	1,837
– an associate	196	–	–	–	–
Impairment loss on inventories	–	–	–	–	1,723
Operating cash flows before movements in working capital	111,153	225,149	297,563	157,640	304,404
(Increase) decrease in inventories	(104,509)	(46,435)	17,396	25,105	(50,200)
(Increase) decrease in trade receivables	(45,067)	(96,278)	18,820	(50,873)	(44,641)
(Increase) decrease in other receivables and prepayments	(16,368)	(43,362)	21,486	(27,593)	(8,762)
(Increase) decrease in derivative financial instruments	–	(9,991)	373	(3,027)	(1,468)
Increase (decrease) in trade payables	50,029	59,682	(15,284)	(26,034)	99,093
Increase in other payables and accruals	28,599	44,524	5,152	1,796	60,993
Cash generated from operations	23,837	133,289	345,506	77,014	359,419
Interest paid	(2,036)	(4,610)	(8,031)	(4,703)	(2,318)
Interest received	2,944	875	436	146	636
Income tax paid	(1,800)	(4,458)	(12,667)	(3,847)	(8,447)
NET CASH FROM OPERATING ACTIVITIES	22,945	125,096	325,244	68,610	349,290

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	(129,090)	(170,250)	(86,397)	(51,338)	(38,901)
Deposits paid for lease premium for land	–	–	(4,545)	–	–
Deposits paid for acquisition of property, plant and equipment	(834)	(23,777)	(715)	–	(9,200)
Capital contribution to an associate	(196)	–	–	–	–
Proceeds from disposal of property, plant and equipment	636	1,030	1,709	651	53
Capital (contribution to) refund from jointly controlled entities	–	(3,313)	1,582	1,582	(5)
Loan to a jointly controlled entity	–	–	–	–	(4,995)
Proceeds from disposal of available-for-sale investment	–	–	3,531	3,531	–
Increase in pledged bank deposits	–	–	(3,531)	(3,531)	–
NET CASH USED IN INVESTING ACTIVITIES	(129,484)	(196,310)	(88,366)	(49,105)	(53,048)
FINANCING ACTIVITIES					
Proceeds from issuance of shares	117,270	–	–	–	–
Increase (decrease) in trust receipt loans	30,117	1,630	(32,800)	(7,433)	–
New bank borrowings raised	3,000	115,000	105,500	85,500	60,000
Advances from directors	2,042	1,352	3,411	3,035	5,848
Dividends paid	(22,607)	(35,811)	(42,970)	(25,249)	(12,000)
Repayment to directors	(399)	(864)	(1,427)	(4)	(3,665)
Repayment of bank borrowings	(6,000)	(36,500)	(73,560)	(23,106)	(38,501)
Share issue expense	(4,179)	–	–	–	–
NET CASH FROM (USED IN) FINANCING ACTIVITIES	119,244	44,807	(41,846)	32,743	11,682
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	12,705	(26,407)	195,032	52,248	307,924
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR/ PERIOD	43,298	56,965	33,241	33,241	229,325
Effect of foreign exchange rate changes	962	2,683	1,052	1,427	–
CASH AND CASH EQUIVALENTS AT END OF THE YEAR/PERIOD	56,965	33,241	229,325	86,916	537,249
ANALYSIS OF THE BALANCE OF CASH AND CASH EQUIVALENTS					
Bank balances and cash	56,965	37,126	229,325	86,916	537,249
Bank overdrafts	–	(3,885)	–	–	–
	56,965	33,241	229,325	86,916	537,249

NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION OF FINANCIAL INFORMATION

In preparation for the listing of the Company's shares on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange"), the entire equity interests in Famous Bedding were transferred to the Company by means of an exchange of shares on 7 December 2009 (the "Reorganisation"). Famous Bedding was incorporated on 26 April 2006 in Hong Kong with limited liabilities and was 70% owned by Man Wah Investments and 30% owned by Weston International Investment Limited ("Weston International"), which was wholly owned by Mr. Yu Tung Wan, an non-executive director of the Company, immediately prior to the above exchange of shares.

The Financial Information of the Group throughout the Track Record Period has been prepared as if the Company had always been the holding company of Famous Bedding. The financial information of the Famous Bedding Group has been incorporated in the Financial Information using the principles of merger accounting as if the 70% equity interest in Famous Bedding was owned by the Company throughout the Track Record Period and the 30% equity interest in Famous Bedding attributable to Mr. Yu Tung Wan was treated as minority interests. Accordingly, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows include the results, changes in equity and cash flows of the companies now comprising the Group including Famous Bedding Group. The combined statements of financial position of the Group as at 31 March 2007, 2008 and 2009 and 30 September 2009 have been prepared to present the assets and liabilities of the companies now comprising the Group including Famous Bedding Group.

2. APPLICATION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

For the purpose of preparing and presenting the Financial Information for the Track Record Period, the Group has consistently adopted International Accounting Standards ("IASs"), International Financial Reporting Standards ("IFRSs"), amendments and interpretations, which are effective for the accounting periods beginning on 1 April 2009 throughout the Track Record Period.

At the date of this report, the IASB has issued the following new and revised standards, amendments and interpretations that have been issued but are not yet effective.

IFRSs (Amendments)	Amendment to IFRS 5 as part of Improvements to IFRSs May 2008[1]
IFRSs (Amendments)	Improvements to IFRSs April 2009[2]
IAS 24 (Revised)	Related Party Disclosures[3]
IAS 27 (Revised)	Consolidated and Separate Financial Statements[1]
IAS 32 (Amendment)	Classification of Rights Issues[4]
IAS 39 (Amendment)	Eligible Hedged Items[1]
IFRS 1 (Amendment)	Additional Exemptions for First-time Adopters[5]
IFRS 1 (Amendment)	Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters[7]
IFRS 2 (Amendment)	Group Cash-settled Share-based Payment Transactions[5]
IFRS 3 (Revised)	Business Combinations[1]
IFRS 9	Financial Instruments[6]
IFRIC 14 (Amendment)	Prepayments of a Minimum Funding Requirements[3]
IFRIC 17	Distributions of Non-cash Assets to Owners[1]
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments[7]

1 Effective for annual periods beginning on or after 1 July 2009
2 Amendments that are effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, as appropriate
3 Effective for annual periods beginning on or after 1 January 2011
4 Effective for annual periods beginning on or after 1 February 2010
5 Effective for annual periods beginning on or after 1 January 2010
6 Effective for annual periods beginning on or after 1 January 2013
7 Effective for annual periods beginning on or after 1 July 2010

The adoption of IFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after 1 January 2010. IAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The directors of the Company anticipate that the application of the other new or revised standards, amendments and interpretations will have no material effect on how the results and financial position of the Group are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The Financial Information has been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values, as explained in the accounting policies set out below and are drawn up in accordance with the IFRSs issued by the IASB.

In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and by the Hong Kong Companies Ordinance. The principal accounting policies adopted are as follows:

Basis of combination

The combined financial statements incorporate the financial information of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the Track Record Period are included in the combined statements of comprehensive income from the effective date of acquisition or up to the effective date of disposal except for subsidiaries under common control which are accounted for using the principles of merger accounting, as appropriate.

Where necessary, adjustments are made to the financial information of subsidiaries to bring the accounting policies into line with those used by other members of the Group.

All significant intra-group transactions, balances, income and expenses are eliminated on combination.

Business combination

Business combination under common control

For group reorganisation under common control, merger accounting is adopted. In applying merger accounting, financial statement items of the combining entities or businesses for the reporting period in which the common control combination occurs, and for any comparative periods disclosed, are included in the combined statements of financial position 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.

Interests in jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the Financial Information using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the combined statements of financial position at cost as adjusted for post-acquisition changes in the Group's share of net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

Interest in an associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a jointly controlled entity. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is neither control nor joint control over those policies.

The results and assets and liabilities of an associate are incorporated in the Financial Information using the equity method of accounting. Under the equity method, interest in an associate is carried in the combined statements of financial position at cost as adjusted for post acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after assessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's statements of financial position when the Group becomes a party to the 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 profit or loss.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (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 instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis.

Financial assets

Loans and receivables

Trade and other receivables, bank balances and cash and pledged bank deposits that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

Available-for-sale investment

Available-for-sale investment is non-derivative that is either designated or not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments. At the end of each reporting period subsequent to initial recognition, available-for-sale investment is stated at fair value. Fair value is determined in the manner described in note 22. Gains and losses arising from changes in fair value of available-for-sale assets are recognised directly in the revaluation reserve with the exception of foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the revaluation reserve is included in profit or loss for the year/period.

Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. The change in fair value attributable to translation differences are recognised in equity.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. 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 financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial assets' original effective interest rate.

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 payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

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. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit and loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss, is recognised directly in equity.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial assets, 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 and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables, amounts due to directors and bank loans are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not excepted to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Inventories

Inventories are stated at the lower of costs and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in making the sales.

Lease premium for land

Lease premium for land are up-front payments to acquire long-term interests in lessee-occupied properties. The premiums are stated at cost and are amortised over the period of the lease on a straight-line basis to profit or loss.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Properties in the course of construction for production or administrative purposes, or for purposes not yet determined are carried at cost, less any recognised impairment loss. Depreciation of these assets on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost of assets, other than construction-in-progress, over their estimated useful lives using the straight-line method, on the following bases:

Buildings	50 years or over the term of the relevant lease for land, whichever is shorter
Leasehold improvements	5 years or over the term of the relevant lease, whichever is shorter
Plant and machinery	10%
Furniture, fittings and office equipment	20%
Motor vehicles	20%

The estimated useful lives and depreciation method are reviewed at each year end with effect of any changes in estimate accounted for on a prospective basis.

If an item of property, plant and equipment becomes an investment property because its use has changed as evidenced by end of owner-occupation, any difference between the carrying amount and the fair value of that item at the date of transfer is recognised in property revaluation reserve. On the subsequent sale or retirement of the asset, the relevant revaluation reserve will be transferred directly to retained profits.

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amounts of the asset and is recognised in profit or loss.

Fully depreciated assets are retained in the Financial Information until they are no longer in use.

Investment properties

Investment properties, which are properties held to earn rentals and/or capital appreciation are measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at their fair values at the end of each reporting period. Gains/losses arising from changes in the fair values of the investment properties are included in profit or loss in the year/period in which they arise.

Impairment of tangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at revalued amount, in which case the relevant impairment loss is treated as a revaluation increase.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Rental income from properties under operating lease is recognised on a straight-line basis over the term of the relevant lease.

Dividend income from investments is recognised when the Group's rights to receive payment have been established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the year/period in which they are incurred.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Mandatory Provident Fund schemes in Hong Kong and PRC state-managed retirement benefits schemes, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year/period. Taxable profit differs from profit as reported in the combined statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted in countries where the subsidiaries operate by the end of each reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the combined statements of financial position and the corresponding tax bases used in the 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 differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) 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 associated with investments in subsidiaries and an associate, and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference 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 the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset 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, based on tax rates (and tax laws) that have been enacted by the end of each reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is charged or credited to profit or loss, except when it relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity, in which case the deferred tax is also recognised outside profit or loss, either in other comprehensive income or directly in equity respectively.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Foreign currency transactions and translation

In preparing the financial statements of each individual group entities, transactions in currencies other than the entity's functional currency (i.e., the currency of the primary economic environment in which the entity operates) are recorded at the rates of exchange prevailing on the date of the transactions. The functional currency of the Company is United States dollars. The Financial Information of the Group is presented in Hong Kong dollars for the convenience of the shareholders/potential investors as the Company is going to be listed in Hong Kong. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year/period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year/period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

For the purpose of presenting the Financial Information, the assets and liabilities of the Group's foreign operations and the assets and liabilities of the Group denominated in the functional currency of the respective group entities are expressed in Hong Kong dollars using exchange rates prevailing the end of each reporting period. Income and expense items are translated at the average exchange rates for the year/period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Translation differences attributable to foreign operations are recognised in the combined statements of comprehensive income in the period in which the foreign operation is disposed of.

Research and development expenditure

Expenditure on research activities is recognised as our expense in the period in which it is incurred. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Cash and cash equivalent

Cash and cash equivalent comprises cash at bank, cash on hand and bank deposits less bank overdrafts and are subject to an insignificant risk of changes in value.

4. CRITICAL ACCOUNTING JUDGEMENTS

In the application of the Group's accounting policies, which are described in note 3, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

During the financial year/period, management did not make any critical judgements that had a significant effect on the amounts recognised in the Financial Information.

5. REVENUE AND SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports which are prepared in accordance with accounting policies which conform to IFRSs and are the same as the Group's accounting policies described in note 3, that are regularly reviewed by the chief operating decision maker in order to allocate resources to the reportable segments and to assess their performance.

For the purpose of resources allocation and performance assessment, the Group's executive directors view operating results and financial information on a company by company basis. Where any group company is operating in similar business model, selling similar products and subject to a similar target group of customers, they are aggregated into the following reportable segments according to the nature of each company:

Sofa (export sales)	– manufacture and sale of sofa for customers located outside the PRC excluding Hong Kong
Sofa (retail and wholesale in the PRC)	– manufacture and distribution of sofa in the PRC through self-owned shops and distributors
Sofa (retail and wholesale in Hong Kong)	– distribution of sofa in Hong Kong through wholesale and self-owned shops
Bedding products	– manufacture and distribution of mattress and bedding products in the PRC

The Group's executive directors make decisions according to the operating results of each segment and reports on the aging analysis of trade receivables and expected usage of inventories. No information of segment assets and liabilities is available for the assessment of performance of different business activities. Therefore, only the segment results is presented.

During the Track Record Period, none of the Group's individual customers contributed more than 10% of the Group's revenue. In the opinion of the directors, the top five customers contributed around 26%, 23%, 25%, 26% and 29% of revenue of the Group for each of the three years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2008 and 2009.

Segment results represent the profits before income tax earned by each segment without allocation of interest income, finance costs, rental income, net exchange gain/loss, central administrative costs and director's salaries, gain on revaluation of investment properties, gain on disposal of available-for-sale investment, share of profit (loss) of jointly controlled entities and an associate and change in fair value of derivative financial instruments.

The information of segment results are as follows:

For the year ended 31 March 2007

	Sofa (export sales)	Sofa (retail and wholesales in the PRC)	Sofa (retail and wholesales in Hong Kong)	Bedding products	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE						
External sales	648,761	107,718	93,111	35,280	–	884,870
Inter-segment sales	33,008	37,190	–	1,286	(71,484)	–
	681,769	144,908	93,111	36,566	(71,484)	884,870
RESULTS						
Segment results	50,396	26,422	17,337	7,203	(427)	100,931
Interest income						2,944
Exchange gain – net						3,517
Rental income						2,376
Gain on revaluation of investment properties						566
Finance costs						(2,036)
Central administrative costs and directors' salaries						(6,129)
Share of loss of an associate						(196)
Profit before income tax						101,973

For the year ended 31 March 2008

	Sofa (export sales)	Sofa (retail and wholesales in the PRC)	Sofa (retail and wholesales in Hong Kong)	Bedding products	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE						
External sales	1,083,143	267,411	125,229	67,306	–	1,543,089
inter-segment sales	51,096	29,518	–	4,523	(85,137)	–
	1,134,239	296,929	125,229	71,829	(85,137)	1,543,089
RESULTS						
Segment results	104,153	47,263	28,399	11,122	(839)	190,098
Interest income						875
Rental income						2,423
Exchange gain – net						7,537
Gain on revaluation of investment properties						2,733
Change in fair value of derivative financial instruments						10,490
Finance costs						(4,610)
Central administrative costs and directors' salaries						(7,149)
Share of profit of jointly controlled entities						303
Profit before income tax						202,700

For the year ended 31 March 2009

	Sofa (export sales)	Sofa (retail and wholesales in the PRC)	Sofa (retail and wholesales in Hong Kong)	Bedding products	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE						
External sales	1,364,811	368,736	113,183	117,107	–	1,963,837
Inter-segment sales	53,787	9,669	–	17,820	(81,276)	–
	1,418,598	378,405	113,183	134,927	(81,276)	1,963,837
RESULTS						
Segment results	140,194	73,214	20,112	21,348	(266)	254,602
Interest income						436
Rental income						2,722
Gain on revaluation of investment properties						1,205
Gain on disposal of available-for-sale investment						337
Change in fair value of derivative financial instruments						15,391
Finance costs						(8,031)
Exchange loss – net						(2,075)
Central administrative costs and directors' salaries						(15,140)
Share of profit of a jointly controlled entity						5
Profit before income tax						249,452

For the six months ended 30 September 2008 (unaudited)

	Sofa (export sales)	Sofa (retail and wholesales in the PRC)	Sofa (retail and wholesales in Hong Kong)	Bedding products	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE						
External sales	735,056	165,237	60,112	61,496	–	1,021,901
Inter-segment sales	26,084	2,516	–	4,637	(33,237)	–
	761,140	167,753	60,112	66,133	(33,237)	1,021,901
RESULTS						
Segment results	86,057	26,683	14,224	11,513	(419)	138,058
Interest income						146
Rental income						1,601
Change in fair value of derivative financial instruments						10,150
Gain on disposal of available-for-sale investment						337
Finance costs						(4,703)
Exchange loss – net						(1,697)
Central administrative costs and directors' salaries						(4,994)
Share of profit of a jointly controlled entity						246
Profit before income tax						139,144

For the six months 30 September 2009

	Sofa (export sales)	Sofa (retail and wholesales in the PRC)	Sofa (retail and wholesales in Hong Kong)	Bedding products	Elimination	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE						
External sales	942,912	226,529	55,328	101,877	–	1,326,646
inter-segment sales	24,665	12,124	–	5,180	(41,969)	–
	967,577	238,653	55,328	107,057	(41,969)	1,326,646
RESULTS						
Segment results	207,757	48,682	7,657	30,823	(1,091)	293,828
Interest income						636
Rental income						1,269
Gain on revaluation of investment properties						855
Change in fair value of derivative financial instruments						9,856
Finance costs						(2,318)
Exchange loss – net						(3,490)
Central administrative costs and directors' salaries						(17,937)
Share of loss of jointly controlled entities						(1,837)
Profit before income tax						280,862

Inter-segment sales are charged at prevailing market price.

Other information

For the year ended 31 March 2007

	Sofa (export sales)	Sofa (retail and wholesale in the PRC)	Sofa (retail and wholesale in Hong Kong)	Bedding product	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Gain (loss) on disposal of property, plant and equipment	–	76	326	(24)	226
Depreciation and amortisation	2,431	1,994	5,726	507	10,658
Impairment loss on trade receivables	–	–	26	–	26

For the year ended 31 March 2008

	Sofa (export sales)	Sofa (retail and wholesale in the PRC)	Sofa (retail and wholesale in Hong Kong)	Bedding product	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(Loss) gain on disposal of property, plant and equipment	–	(42)	(23)	7	(58)
Depreciation and amortisation	5,351	4,491	10,054	950	20,846
Impairment loss on trade receivables	846	–	–	–	846

For the year ended 31 March 2009

	Sofa (export sales)	Sofa (retail and wholesale in the PRC)	Sofa (retail and wholesale in Hong Kong)	Bedding product	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
(Loss) gain on disposal of property, plant and equipment	(126)	(87)	146	(81)	(148)
Depreciation and amortisation	11,947	11,741	12,977	1,609	38,274
Impairment loss on trade receivables	3,624	9	8	–	3,641

For the six months ended 30 September 2008 (unaudited)

	Sofa (export sales)	Sofa (retail and wholesale in the PRC)	Sofa (retail and wholesale in Hong Kong)	Bedding product	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Gain (loss) on disposal of property, plant and equipment	–	(27)	146	–	119
Depreciation and amortisation	5,572	2,220	6,297	533	14,622
Impairment loss on trade receivables	–	9	–	–	9

For the six months ended 30 September 2009

	Sofa (export sales)	Sofa (retail and wholesale in the PRC)	Sofa (retail and wholesale in Hong Kong)	Bedding product	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Loss on disposal of property, plant and equipment	6	–	23	–	29
Depreciation and amortisation	6,854	3,426	6,430	1,226	17,936
Impairment loss on inventories	–	–	–	1,723	1,723
Impairment loss on trade receivables	–	1,190	–	–	1,190

Revenue from external customers attributed to the Group based on the foreign countries other than the Company's country of domicile is presented as follows.

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
United States of America	201,674	514,213	777,410	441,130	643,958
Canada	114,976	121,608	113,810	73,078	66,698
PRC (including Hong Kong)	236,109	459,946	599,026	286,845	383,734
Europe *(note)*	209,662	317,699	348,614	162,135	171,559
Others *(note)*	122,449	129,623	124,977	58,713	60,697
	884,870	1,543,089	1,963,837	1,021,901	1,326,646

Note: The countries of the external customers included in these two categories included the United Kingdom, Ireland, Spain, Australia and Taiwan, etc. No further analysis by countries of these two categories is presented because the revenue from each individual country is insignificant to the total revenue.

All of the Group's non-current assets are located in the PRC (including Hong Kong), a foreign country other than the Company's country of domicile, at the end of each reporting period.

6. OTHER GAINS AND LOSSES

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Exchange gain (loss) – net	3,517	7,537	(2,075)	(1,697)	(3,490)
Gain on revaluation of investment properties	566	2,733	1,205	–	855
Gain (loss) on disposal of property, plant and equipment	226	(58)	(148)	119	(29)
Impairment loss on trade receivables	(26)	(846)	(3,641)	(9)	(1,190)
Gain on disposal of available-for-sale investment	–	–	337	337	–
Change in fair value of derivative financial instruments	–	10,490	15,391	10,150	9,856
	4,283	19,856	11,069	8,900	6,002

7. FINANCE COSTS

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Interest expense on:					
Trust receipt loans	1,453	613	1,320	1,118	9
Bank borrowings wholly repayable within five years	583	3,997	6,711	3,585	2,309
	2,036	4,610	8,031	4,703	2,318

8. INCOME TAX EXPENSE

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Current tax:					
Hong Kong	2,903	1,210	10,656	5,718	1,129
PRC Enterprise Income Tax	2,059	5,607	8,404	5,017	16,627
	4,962	6,817	19,060	10,735	17,756
Under(over)provision in prior years:					
Hong Kong	(30)	6	655	–	(63)
PRC Enterprise Income Tax	(62)	(268)	(74)	–	33
	(92)	(262)	581	–	(30)
Deferred tax *(note 19)*:					
Current year	174	(928)	1,767	512	914
Attributable to a change in tax rate	–	(74)	–	–	–
	174	(1,002)	1,767	512	914
	5,044	5,553	21,408	11,247	18,640

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced tax rate of Hong Kong Profit Tax from 17.5% to 16.5% effective from the year of assessment 2008/2009. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

PRC Enterprise Income Tax is calculated at the prevailing tax rate on taxable income determined in accordance with the relevant laws and regulations in the PRC.

On 16 March 2007, the PRC promulgated the Law of the PRC on Enterprise Income Tax (the "New Law") by Order No. 63 of the President of the Mainland PRC. On 6 December 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulations unified the tax rate to 25% for all PRC subsidiaries from 1 January 2008. There is a transitional period for PRC subsidiaries that are currently entitled to preferential tax treatments granted by the relevant tax. PRC subsidiaries previously subject to an enterprise income tax rate lower than 25% may continue to enjoy the lower tax rate and be gradually transitioned to the new unified rate of 25% within five years after 1 January 2008.

The New Law imposes withholding tax upon the distribution of the profits earned by Company's PRC subsidiaries on or after 1 January 2008 to their non-resident shareholders, details of which are set out in note 19.

The tax charge for the Track Record Period can be reconciled to the profit before income tax per the combined statements of comprehensive income as follows:

	Year ended 31 March			Six months ended 30 September	
	2007	**2008**	**2009**	**2008**	**2009**
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000 (unaudited)**	**HK$'000**
Profit before income tax	101,973	202,700	249,452	139,144	280,862
Tax at the Hong Kong Profit Tax rate *(note a)*	17,845	35,473	41,160	22,959	46,342
Tax effect of expenses not deductible in determining taxable profit	2,061	2,484	4,084	952	4,788
Tax effect of income not taxable in determining taxable profit	(233)	(108)	(321)	(370)	(191)
Under(over) provision in prior years	(92)	(262)	581	–	(30)
Effect of different tax rates of subsidiaries operating in other jurisdiction	1,239	512	1,892	1,215	979
Tax effect of tax losses not recognised	1,617	1,939	3,157	533	2,203
Tax effect on withholding tax arising on undistributed profits of the PRC subsidiaries	–	–	1,008	512	914
Tax effect of profit of subsidiaries under tax exemption and concessionary rate *(note b)*	(17,393)	(34,485)	(30,153)	(14,554)	(36,365)
Tax charge for the year/period	5,044	5,553	21,408	11,247	18,640

Notes:

(a) Hong Kong Profit Tax rate is the applicable tax rate of the Group as the Group has profits subject to Hong Kong Profit Tax and central managerial and administrative function of the Group is located in Hong Kong. The applicable tax rate for the years ended 31 March 2007, 2008 and 2009 and six months ended 30 September 2008 and 2009 is 17.5%, 17.5%, 16.5%, 16.5% and 16.5% respectively.

(b) Pursuant to the relevant laws and regulations in the PRC, Man Wah Huizhou, Man Wah Furniture (SZ) and Bedding SZ are exempted from the PRC income tax for two years starting from their first profit making year, followed by a 50% reduction for the next three years. The first profit making years of Man Wah Huizhou, Man Wah Furniture (SZ) and Bedding SZ were 2007, 2005 and 2004 respectively. In addition, the subsidiary incorporated in Macau is exempted from income tax.

9. PROFIT FOR THE YEAR/PERIOD

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Profit for the year/period has been arrived at after charging (crediting):					
Directors' emoluments *(note 10)*	1,901	3,086	7,028	2,698	2,935
Other staff costs	67,479	130,626	177,098	44,144	119,114
Retirement benefit scheme contributions, excluding those of directors	1,243	1,912	4,605	557	2,494
Total staff costs	70,623	135,624	188,731	47,399	124,543
Auditor's remuneration	2,032	2,186	2,300	1,827	1,501
Amortisation of lease premium for land	916	953	1,020	510	511
Depreciation	9,742	19,893	37,254	14,122	17,425
Cost of inventories recognised as an expense	648,772	1,050,879	1,262,790	660,963	777,222
Impairment loss on inventories (included in cost of goods sold)	–	–	–	–	1,723
Impairment of jointly controlled entities	–	–	–	–	2,039
Research and development expenditure	1,877	2,208	5,218	2,609	3,141
Interest income	(2,944)	(875)	(436)	(146)	(636)
Rental income	(2,376)	(2,423)	(2,722)	(1,601)	(1,269)

10. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

Directors

Details of the emoluments paid to the directors of the Group for the Track Record Period are as follows:

For the year ended 31 March 2007

Name of directors	Directors' fee	Salaries and other allowances	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Wong Man Li	–	580	12	592
Ms. Hui Wai Hing	–	405	12	417
Mr. Li Jianhong	–	478	12	490
Mr. Yu Tung Wan	–	–	–	–
Mr. Bernard Tay Ah Kong	201	–	–	201
Mr. Lee Teck Leng Robson	201	–	–	201
	402	1,463	36	1,901

For the year ended 31 March 2008

Name of directors	Directors' fee	Salaries and other allowances	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Wong Man Li	–	670	12	682
Ms. Hui Wai Hing	–	500	12	512
Mr. Li Jianhong	–	499	12	511
Mr. Francis Lee Fook Wah *(note)*	623	–	12	635
Mr. Yu Tung Wan	106	–	–	106
Mr. Bernard Tay Ah Kong	320	–	–	320
Mr. Lee Teck Leng Robson	320	–	–	320
	1,369	1,669	48	3,086

Note: appointed on 8 November 2007.

For the year ended 31 March 2009

Name of directors	Directors' fee	Salaries and other allowances	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Wong Man Li	–	1,500	12	1,512
Ms. Hui Wai Hing	–	1,200	12	1,212
Mr. Li Jianhong	–	1,644	12	1,656
Mr. Francis Lee Fook Wah	287	1,507	12	1,806
Mr. Yu Tung Wan	194	–	–	194
Mr. Bernard Tay Ah Kong	324	–	–	324
Mr. Lee Teck Leng Robson	324	–	–	324
	1,129	5,851	48	7,028

For the six months ended 30 September 2008 (unaudited)

Name of directors	Directors' fee	Salaries and other allowances	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Wong Man Li	–	600	6	606
Ms. Hui Wai Hing	–	480	6	486
Mr. Li Jianhong	–	616	6	622
Mr. Francis Lee Fook Wah	–	605	6	611
Mr. Yu Tung Wan	53	–	–	53
Mr. Bernard Tay Ah Kong	160	–	–	160
Mr. Lee Teck Leng Robson	160	–	–	160
	373	2,301	24	2,698

For the six months ended 30 September 2009

Name of directors	Directors' fee	Salaries and other allowances	Retirement benefit scheme contributions	Total
	HK$'000	HK$'000	HK$'000	HK$'000
Mr. Wong Man Li	–	600	6	606
Ms. Hui Wai Hing	–	480	6	486
Mr. Li Jianhong	–	629	6	635
Mr. Francis Lee Fook Wah	–	749	6	755
Mr. Yu Tung Wan	–	123	–	123
Mr. Bernard Tay Ah Kong	165	–	–	165
Mr. Lee Teck Leng Robson	165	–	–	165
	330	2,581	24	2,935

Employees

The five highest paid individuals of the Group for the Track Record Period included three, two, four, four and four directors for the years ended 31 March 2007, 2008 and 2009 and six months ended 30 September 2008 and 2009. The remuneration of the remaining individuals for the Track Record Period are as follows:

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Salaries and other allowances	857	3,757	3,837	1,879	2,672
Retirement benefit scheme contributions	24	12	–	–	–
	881	3,769	3,837	1,879	2,672

Their emoluments were within the following bands:

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	No. of employees	No. of employees	No. of employees	No. of employees	No. of employees
HK$nil to HK$1,000,000	2	1	–	–	–
HK$1,000,001 to HK$1,500,000	–	1	–	–	–
HK$1,500,001 to HK$2,000,000	–	1	–	1	–
HK$2,000,001 to HK$2,500,000	–	–	–	–	–
HK$2,500,001 to HK$3,000,000	–	–	–	–	1
HK$3,000,001 to HK$3,500,000	–	–	–	–	–
HK$3,500,001 to HK$4,000,000	–	–	1	–	–

During the Track Record Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors waived any emoluments during the Track Record Period.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share for the Track Record Period is based on the following data:

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
				(unaudited)	
Earnings					
Profit attributable to equity holder of the Company (HK$'000)	94,945	194,089	223,509	124,861	255,311
Number of shares					
Weighted average number of ordinary shares ('000)	702,290	706,531	706,531	706,531	706,531
Earnings per share					
Earnings per share (HK cents)	13.52	27.47	31.63	17.67	36.14

The weighted average number of ordinary shares for 2007 and 2008 has been adjusted for the effect of the bonus issue of shares in 2008.

In addition, the weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the Track Record Period has been retrospectively adjusted for the reorganisation as described more fully in Appendix VI to the prospectus.

No diluted earnings per share are presented as there were no potential dilutive ordinary share in issue during the Track Record Period.

12. DIVIDENDS

During the Track Record Period, the Company and Famous Bedding paid the following dividends:

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Final dividend of HK$0.0379 (2008: HK$0.0317; 2007: HK$0.0313) per share of the Company paid in respect of the previous financial year	10,482	10,559	25,249	25,249	–
Interim dividend of HK$0.0266 (2008: HK$0.0653; 2007: HK$0.0364) per share of the Company paid in respect of the current financial year	12,125	21,752	17,721	–	–
Interim dividend of HK$35,000 per share of Famous Bedding paid in respect of the year of 2008	–	3,500	–	–	–
Interim dividend of HK$120,000 per share of Famous Bedding paid in respect of the year of 2009	–	–	–	–	12,000
Total paid	22,607	35,811	42,970	25,249	12,000

13. PROPERTY, PLANT AND EQUIPMENT

THE GROUP

	Buildings	Leasehold improvements	Plant and machinery	Furniture, fittings and office equipment	Motor vehicles	Construction in progress	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
COST							
At 1 April 2006	35,837	7,470	31,726	4,046	6,323	45,966	131,368
Exchange adjustment	1,425	145	533	124	206	2,624	5,057
Additions	35,404	9,391	15,017	3,269	3,726	62,283	129,090
Reclassification	43,879	2,689	763	–	–	(47,331)	–
Transfer to investment properties *(note 14)*	(8,749)	–	–	–	–	–	(8,749)
Disposals/written off	–	(284)	(174)	–	(1,957)	–	(2,415)
At 31 March 2007	107,796	19,411	47,865	7,439	8,298	63,542	254,351
Exchange adjustment	15,044	1,672	2,273	2,298	646	1,837	23,770
Additions	–	21,699	43,482	1,567	6,802	97,534	171,084
Reclassification	158,672	–	–	–	–	(158,672)	–
Disposals/written off	–	(1,059)	–	(240)	(1,607)	–	(2,906)
At 31 March 2008	281,512	41,723	93,620	11,064	14,139	4,241	446,299
Exchange adjustment	8,388	970	1,227	309	335	332	11,561
Additions	1,450	8,985	36,549	6,382	4,801	52,007	110,174
Reclassification	1,638	1,459	2,513	2,535	–	(8,145)	–
Disposals/written off	–	(4,978)	(144)	(222)	(3,495)	–	(8,839)
At 31 March 2009	292,988	48,159	133,765	20,068	15,780	48,435	559,195
Additions	–	3,271	11,125	1,440	2,446	21,334	39,616
Reclassification	–	158	–	5	–	(163)	–
Disposals/written off	–	(4,187)	–	(9)	–	–	(4,196)
At 30 September 2009	292,988	47,401	144,890	21,504	18,226	69,606	594,615
ACCUMULATED DEPRECIATION							
At 1 April 2006	2,915	5,122	7,260	1,965	3,068	–	20,330
Exchange adjustment	21	13	80	34	36	–	184
Provided for the year	1,781	1,908	3,829	1,030	1,194	–	9,742
Eliminated on disposals/ written off	–	(284)	(148)	–	(1,573)	–	(2,005)
At 31 March 2007	4,717	6,759	11,021	3,029	2,725	–	28,251
Exchange adjustment	204	257	317	140	157	–	1,075
Provided for the year	2,689	6,787	6,934	1,555	1,928	–	19,893
Eliminated on disposals/ written off	–	(979)	–	(224)	(615)	–	(1,818)
At 31 March 2008	7,610	12,824	18,272	4,500	4,195	–	47,401
Exchange adjustment	131	188	181	76	80	–	656
Provided for the year	5,322	15,392	12,166	1,991	2,383	–	37,254
Eliminated on disposals/ written off	–	(4,948)	(114)	(204)	(1,716)	–	(6,982)
At 31 March 2009	13,063	23,456	30,505	6,363	4,942	–	78,329
Provided for the period	2,697	4,908	6,693	1,736	1,391	–	17,425
Eliminated on disposals/ written off	–	(4,110)	–	(4)	–	–	(4,114)
At 30 September 2009	15,760	24,254	37,198	8,095	6,333	–	91,640
CARRYING VALUES							
At 31 March 2007	103,079	12,652	36,844	4,410	5,573	63,542	226,100
At 31 March 2008	273,902	28,899	75,348	6,564	9,944	4,241	398,898
At 31 March 2009	279,925	24,703	103,260	13,705	10,838	48,435	480,866
At 30 September 2009	277,228	23,147	107,692	13,409	11,893	69,606	502,975

The Group's property interests of the buildings are situated in the PRC.

14. INVESTMENT PROPERTIES

THE GROUP

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Fair value:				
At beginning of the year/period	6,500	15,992	19,579	21,159
Exchange differences	177	854	375	–
Transfer from property, plant and equipment *(note 13)*	8,749	–	–	–
Revaluation gain	566	2,733	1,205	855
At end of the year/period	15,992	19,579	21,159	22,014

The investment properties were stated at valuation as at 31 March 2007, 2008 and 2009 based on the professional valuation carried out by Greater China Appraisal Limited, an independent firm of professional valuer and at valuation at 30 September 2009 by DTZ Debenham Tie Leung Limited, by adopting the direct comparison approach making reference to comparable sales evidence. Both Greater China Appraised Limited and DTZ Debenham Tie Leung Limited are independent firms of professional valuers.

The carrying value of investment properties shown above comprises:

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Properties in Hong Kong under long lease	6,800	8,700	9,000	9,400
Properties in the PRC under medium-term lease	9,192	10,879	12,159	12,614
	15,992	19,579	21,159	22,014

15. LEASE PREMIUM FOR LAND

The Group's leasehold land is held under medium-term lease of 50 years and is situated in the PRC.

	THE GROUP			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Analysed for reporting purposes as:				
Current assets	930	996	1,023	1,023
Non-current asset	43,422	45,511	45,761	45,250
	44,352	46,507	46,784	46,273

The Group's leasehold land is held under medium-term leases of 50 years and is situated in the PRC.

The Group's leasehold land with carrying amount of HK$8,333,000 and HK$8,144,000 as at 31 March 2008 and 2009, respectively has been pledged as securities to obtain facilities for bank loans. The pledge was discharged during the six months ended 30 September 2009 upon the repayment of bank loans.

16. INVESTMENTS IN SUBSIDIARIES

The amounts represent investment in unquoted equity shares in subsidiaries at cost.

17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

THE GROUP

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Costs of investment in jointly controlled entities – unquoted	–	3,313	1,731	5
Share of post-acquisition profit	–	303	308	202
	–	3,616	2,039	207
Loan to a jointly controlled entity *(note)*	–	–	–	4,995
	–	3,616	2,039	5,202

Note: The amount is unsecured, interest-free and with no fixed repayment terms. In the opinion of the directors, the amount forms part of the investment in the jointly controlled entity of which the Group will not demand for repayment in the next twelve months from 30 September 2009 and the amount is therefore shown in the combined statement of financial position as non-current asset.

As at 31 March 2008 and 2009 and 30 September 2009, the Group had interest in the following jointly controlled entities:

Name of jointly controlled entities	Form of business structure	Place/ Country of incorporation	Class of shares held	Effective equity interest and voting power held by the Group	Principal activity
				%	
Huizhou Ao Li *(note (i))*	Incorporated	The PRC	Registered capital	50	Manufacturing and trading of massage chairs and has become inactive since July 2008
Home Expo (Hong Kong) Limited 家居博覽(香港)有限公司 *(note (ii))*	Incorporated	Hong Kong	Ordinary shares	50	Property investment

Notes:

(i) During the year ended 31 March 2009, the Group was in proceedings to claim from the other venturer for RMB5 million for the breach of joint venture agreement in respect of Huizhou Ao Li. The directors reviewed the anticipated profitability and the anticipated future operating cash flows of Huizhou Ao Li and identified an impairment of the interest in Huizhou Ao Li. Accordingly an impairment loss of approximately HK$2,039,000 being recognised during the six months ended 30 September 2009 in profit or loss.

(ii) Being newly incorporated on 6 August 2009.

The summarised financial information in respect of the Group's jointly controlled entities is set out below:

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Total assets	–	13,067	7,083	12,669
Total liabilities	–	(5,835)	(3,005)	(12,255)
Net assets	–	7,232	4,078	414
Group's share of net assets of a jointly controlled entity	–	3,616	2,039	207
Revenue	–	14,724	9,336	2,195
Profit for the year/period	–	606	10	404
Group's share of profit of jointly controlled entities for the year/period	–	303	5	202

18. INTEREST IN AN ASSOCIATE

THE GROUP

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Cost of investment in an associate – unquoted	196	–	–	–
Share of post-acquisition loss	(196)	–	–	–
	–	–	–	–

As at 31 March 2007, the Group had interest in the following associate:

Name of associate	Form of business structure	Place/country of incorporation	Effective equity interest and voting power held by the Group	Principal activity
			%	
Schieder	Incorporated	Germany	40	Sales agency of furniture and furniture parts

The associate has been liquidated during the year ended 31 March 2008.

The summarised financial information in respect of the Group's associate as at 31 March 2007 is set out below:

	31.3.2007
	HK$'000
Total assets	947
Total liabilities	(1,152)
Net liabilities	(205)
Group's share of net liabilities of an associate	–
Revenue	2,069
Loss for the year	(943)
Group's share of loss of an associate for the year	(196)

As at 31 March 2007, the Group has not recognised losses of the associate amounting to HK$181,000.

19. DEFERRED TAXATION

THE GROUP

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Deferred tax assets	(28)	(220)	(473)	(473)
Deferred tax liabilities	1,335	525	2,545	3,459
	1,307	305	2,072	2,986

The following are the major tax assets and liabilities recognised by the Group and movements thereon during the Track Record Period:

	Withholding tax	Accelerated tax (accounting) depreciation	Investment properties	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1 April 2006	–	955	178	1,133
Charge to profit or loss	–	131	43	174
At 31 March 2007	–	1,086	221	1,307
(Credit) charge to profit or loss	–	(1,106)	178	(928)
Effect of change in tax rate	–	(74)	–	(74)
At 31 March 2008	–	(94)	399	305
Charge to profit or loss	1,008	741	18	1,767
At 31 March 2009	1,008	647	417	2,072
Charge to profit or loss	914	–	–	914
At 30 September 2009	1,922	647	417	2,986

The Group had unused tax losses of HK$9,273,000, HK$20,353,000, HK$39,486,000 and HK$52,838,000 as at 31 March 2007, 2008 and 2009 and 30 September 2009. No deferred tax asset has been recognised due to the unpredictability of future profit stream.

Under the New Law of the PRC, withholding tax is imposed on dividends declared in respect of profits earned by the PRC subsidiaries from 1 January 2008 onwards. Except for deferred tax liability of HK$1,008,000 and HK$1,922,000 which has provided for as at 31 March 2009 and 30 September 2009, respectively, deferred taxation has not been provided for in the Financial Information in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to HK$4,950,000, HK$51,106,000 and HK$148,978,000 as at 31 March 2008 and 2009 and 30 September 2009 as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

20. INVENTORIES

	THE GROUP			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Raw materials	131,234	149,346	88,837	126,147
Work-in-progress	14,256	20,734	17,446	21,981
Finished goods	40,211	62,056	108,457	115,089
	185,701	232,136	214,740	263,217

21. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	THE GROUP			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade and bills receivables				
Trade and bills receivables	89,536	171,567	151,457	194,724
Less: allowance for doubtful debts	–	–	(3,059)	(2,875)
	89,536	171,567	148,398	191,849
Other receivables and prepayments				
Valued added taxes recoverable	17,599	44,306	21,215	26,256
Deposits	6,431	16,420	10,808	12,117
Sundry receivables	3,957	8,050	7,637	10,482
Prepayments	1,366	3,939	8,971	8,538
Amount due from a jointly controlled entity *(Note)*	–	–	1,890	1,890
	29,353	72,715	50,521	59,283

	THE COMPANY			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Other receivables and prepayments				
Amounts due from subsidiaries *(Note)*	79,806	20,303	15,312	13,198
Deposits	16	17	19	19
Prepayments	39	39	–	–
	79,861	20,359	15,331	13,217

Note: The amounts due from a jointly controlled entity and subsidiaries are unsecured, interest-free and expected to be recoverable within 12 months from the end of each reporting period.

Other than cash and credit card sales for retail transactions, the Group generally allows an average credit period of 30 to 60 days to its trade customers in 2007 and 2008 and of 30 to 90 days in 2009. The aged analysis of the Group's trade and bills receivables (net of allowance for doubtful debts) at the end of each reporting period is as follows:

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade and bills receivables:				
0-30 days	60,031	116,843	79,172	95,704
31-60 days	7,738	17,360	46,262	61,969
61-90 days	10,390	23,584	17,503	19,038
Over 90 days	11,377	13,780	5,461	15,138
	89,536	171,567	148,398	191,849

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines its credit limits based on results from investigation of historical credit records of these customers.

Included in the Group's trade and bills receivable balance are receivables with aggregate carrying amount of approximately HK$23,628,000, HK$43,037,000, HK$19,215,000 and HK$33,357,000 which are past due as at 31 March 2007, 2008 and 2009 and 30 September 2009 for which the Group has not provided for impairment loss as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Aging of trade and bills receivables which are past due but not impaired

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
31-60 days	1,901	5,673	2,235	6,335
61-90 days	10,390	23,584	11,519	11,884
Over 90 days	11,337	13,780	5,461	15,138
	23,628	43,037	19,215	33,357

The Group has provided fully for all receivables over 365 days because historical experience is such that receivables that are past due beyond 365 days are generally not recoverable.

Movement in the allowance for doubtful debts

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Balance at beginning of the year/period	–	–	–	3,059
Impairment losses recognised on trade receivables	26	846	3,641	1,190
Amounts written-off as uncollectible	(26)	(846)	(582)	(1,374)
Balance at end of the year/period	–	–	3,059	2,875

The Group's and the Company's trade and other receivables that are not denominated in the functional currencies of the respective entities are as follows:

	THE GROUP			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade receivables				
Hong Kong dollars	2,531	6,525	3,448	4,481
Other receivables				
Hong Kong dollars	1,094	894	542	415

	THE COMPANY			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Other receivables				
Hong Kong dollars	55	56	19	19

22. AVAILABLE-FOR-SALE INVESTMENT

THE GROUP

The investment represented a quoted investment fund in Hong Kong. The fair value was based on the quoted closing market price on the last market date of the financial year. It was sold during the year ended 31 March 2009.

23. DERIVATIVE FINANCIAL INSTRUMENTS

THE GROUP

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Derivatives not under hedge accounting:				
Fair value of foreign currency forward contracts				
– assets	–	41,004	23,651	16,527
– liabilities	–	(31,013)	(14,033)	(5,441)

At the end of each reporting period, the fair values of the Group's outstanding foreign currency forward contracts are measured using quoted forward exchange rates matching maturity of the contracts.

Major terms of foreign currency forward contracts outstanding at 31 March 2008 and 2009 and 30 September 2009 are as follows:

Notional amount	Maturity	Exchange rates	Fair value
			HK$'000
31.3.2008			
Sell USD in total of USD88,000,000	Ranging from 4 April 2008 to 20 March 2009	RMB/USD ranging from 6.4483 to 7.5261	41,004
Buy USD in total of USD79,000,000	Ranging from 9 April 2008 to 24 March 2009	RMB/USD ranging from 6.281 to 7.357	(31,013)
			9,991
31.3.2009			
Sell USD in total of USD71,000,000	Ranging from 1 April 2009 to 21 January 2010	RMB/USD ranging from 6.3932 to 7.2970	(14,033)
Buy USD in total of USD72,000,000	Ranging from 2 April 2009 to 19 January 2010	RMB/USD ranging from 6.2870 to 7.1000	23,651
			9,618
30.9.2009			
Buy USD in total of USD61,000,000	Ranging from 9 October 2009 to 3 June 2010	RMB/USD ranging from 6.6900 to 6.8242	1,979
Buy USD in total of USD61,000,000	Ranging from 15 October 2009 to 29 September 2010	RMB/USD ranging from 6.7421 to 7.1000	(5,441)
Sell USD in total of USD122,000,000	Ranging from 9 October 2009 to 29 September 2010	RMB/USD ranging from 6.8077 to 7.2970	14,548
			11,086

Changes in the fair values of non-hedging foreign currency forward contacts amounting to gain of HK$10,490,000, HK$15,391,000 and HK$9,856,000 for the years ended 31 March 2008 and 2009 and the six months ended 30 September 2009, respectively have been recognised in profit or loss.

24. PLEDGED BANK DEPOSITS/BANK BALANCES

Pledged bank deposits of the Group represents deposits pledged as securities to obtain facilities for bank loans and carries interest rate at 0.01% and 0.01% per annum for the year ended 31 March 2009 and the six months ended 30 September 2009.

Bank balances carry interest at market rates as follows:

THE GROUP

	Year ended 31 March			Six months ended 30 September
	2007	2008	2009	2009
	%	%	%	%
Range of interest rates	2.52-2.79	0.18-2.26	0.05-1.00	0.05-1.00

THE COMPANY

	Year ended 31 March			Six months ended 30 September
	2007	2008	2009	2009
	%	%	%	%
Range of interest rates	2.5-2.79	0.18-2.26	0.05-1.00	0.05-1.00

The Group's and the Company's significant cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

THE GROUP

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Unites States dollars	–	3	33,445	964
Hong Kong dollars	48	2,771	2,487	179,094
Renminbi	48	838	–	–
Macau Pataca	35	9	–	53

THE COMPANY

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong dollars	196	179	253	234

25. TRADE AND OTHER PAYABLES AND ACCRUALS

THE GROUP

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trade and bills payables	71,111	130,793	116,218	215,311

	THE GROUP			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Other payables and accruals				
Trade deposits received	30,216	34,161	53,913	89,538
Accruals	28,933	64,057	49,481	81,746
Amount due to a jointly controlled entity *(note (i))*	–	3,969	–	–
Amount due to an associate *(note (i))*	441	–	–	–
Amount due to a related party *(notes (i) & (ii))*	1,709	–	–	–
Others	562	4,198	8,852	1,955
	61,861	106,385	112,246	173,239

	THE COMPANY			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Accruals	484	723	751	12,630

Notes:

(i) Amounts are unsecured, interest-free and repayable on demand.

(ii) Mr. Wong Man Li and Ms. Hui Wai Hing, who are directors of the Company, are also directors and shareholders of this related company.

The average credit period on purchase of goods is 30 to 60 days throughout the Track Record Period.

The aged analysis of the Group's trade payable as at the end of each reporting period is as follows:

	THE GROUP			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
0-30 days	67,424	101,017	98,060	186,353
31-60 days	3,407	15,697	17,353	26,624
61-90 days	60	11,267	468	456
Over 90 days	220	2,812	337	1,878
	71,111	130,793	116,218	215,311

The Group's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	THE GROUP			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Other payables				
Hong Kong dollars	5,680	29,894	4,550	13,490

26. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and mainly represent short-term advance from the directors. The directors represented that the amounts will be fully repaid before listing of the Company's shares on the Hong Kong Stock Exchange.

27. BANK BORROWINGS

	THE GROUP			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Trust receipt loans	34,131	35,761	2,961	2,580
Bank overdrafts	–	3,885	–	–
Bank loans	37,000	115,500	147,440	169,320
	71,131	155,146	150,401	171,900
Analysed as:				
Secured	37,000	56,000	51,940	61,420
Unsecured	34,131	99,146	98,461	110,480
	71,131	155,146	150,401	171,900
Carrying amount repayable:				
On demand or within one year	45,131	87,979	72,868	127,820
More than one year, but not exceeding two years	8,000	48,333	64,407	44,080
More than two years, but not exceeding five years	18,000	18,834	13,126	–
	71,131	155,146	150,401	171,900
Less: Amounts due within one year shown under current liabilities	45,131	87,979	72,868	127,820
	26,000	67,167	77,533	44,080

The Group's variable-rate borrowings are mainly subject to interest at Hong Kong Interbank Offered Rate plus a spread, ranging from 1.25% to 2.75%, best leading rate quoted by the Hongkong and Shanghai Banking Corporation Limited plus 1%, for the Track Record Period. The effective interest rates of the above variable-rate bank borrowings were as follows:

	THE GROUP			
	Year ended 31 March			Six months ended 30 September
	2007	2008	2009	2009
	%	%	%	%
Trust receipt loans	5.8	5.8	6.8	6.8
Bank overdrafts	7.0	7.0	7.0	7.0
Bank loan	6.0	5.9	5.1	2.8

The Group's bank borrowings that are not denominated in the functional currencies of the respective entities are as follows:

	THE GROUP			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Hong Kong dollars	37,000	115,500	147,440	169,320

28. SHARE CAPITAL

	Number of shares	Amounts
	'000	HK$'000
Authorised:		
Ordinary shares at 31 March 2007, 2008 and 2009 and 30 September 2009:		
– HK$0.40 each for the Company	1,250,000	500,000
– HK$1.00 each for Famous Bedding	10	10
	1,250,010	500,010
Issued and fully paid:		
At 1 April 2006	290,100	116,040
Issued during the year	43,000	17,200
At 31 March 2007	333,100	133,240
Bonus shares issued during the year	333,100	133,240
At 31 March 2008, 31 March 2009 and 30 September 2009	666,200	266,480

The Company has one class of ordinary shares which carry no right to fixed income. The new shares issued during the year ended 31 March 2007 and 31 March 2008 rank *pari passu* with the existing shares.

On 19 April 2006, the Company increased its issued and paid up capital by the issuance of 43,000,000 new ordinary shares at an issue price of HK$2.73 each.

On 27 February 2008, the Company completed a bonus issue, under which 333,100,000 new ordinary shares were allotted and issued on the basis of one bonus share for every one existing ordinary share in the capital of the Company held by shareholders of the Company.

For the purpose of presenting the combined statements of financial position on the basis set out in note 1, the balances of issued and fully paid share capital at 31 March 2007, 2008, 2009 and 30 September 2009 represent the aggregate of the issued share capital of the Company and 70% of the issued share capital of Famous Bedding as at the respective date.

29. RESERVES OF THE COMPANY

	Share premium	Retained profits	Total
	HK$'000	HK$'000	HK$'000
THE COMPANY			
At 1 April 2006	37,327	406	37,733
Profit for the year and total comprehensive income	–	24,773	24,773
Issue of shares	100,070	–	100,070
Share issue expense	(4,179)	–	(4,179)
Dividend paid	–	(22,607)	(22,607)
At 31 March 2007	133,218	2,572	135,790
Profit for the year and total comprehensive income	–	35,579	35,579
Bonus issue	(133,218)	(22)	(133,240)
Dividend paid	–	(32,311)	(32,311)
At 31 March 2008	–	5,818	5,818
Profit for the year and total comprehensive income	–	40,272	40,272
Dividend paid	–	(42,970)	(42,970)
At 30 March 2009	–	3,120	3,120
Loss for the period	–	(15,513)	(15,513)
At 30 September 2009	–	(12,393)	(12,393)

For the six months ended 30 September 2008 (unaudited)

	Share premium	Retained profits	Total
	HK$'000	HK$'000	HK$'000
At 1 April 2008	–	5,818	5,818
Profit for the period and total comprehensive income	–	27,534	27,534
Dividend paid	–	(25,249)	(25,249)
At 30 September 2008	–	8,103	8,103

30. RETIREMENT BENEFIT PLANS

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees.

The employees of the Group in the PRC are members of government-managed retirement benefit schemes operated by the respective local government in the PRC. The Group is required to contribute a specified percentage of payroll cost to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to these schemes is to make the specified contributions.

31. RELATED PARTY DISCLOSURES

(I) Related party transactions

During the Track Record Period, the Group entered into the following transactions with related parties:

	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Rental expense paid to related parties *(note (i))*	2,111	2,759	2,393	1,379	986
Purchase of goods from Huizhou Ao Li	–	3,086	–	–	–
Agency fee paid to Schieder	319	374	–	–	–
Legal fee paid to a related party *(note (ii))*	–	–	1,272	–	–

Notes:

(i) Mr. Wong Man Li and Ms. Hui Wai Hing, who are directors of the Company, are also directors and shareholders of these related companies.

(ii) Mr. Lee Teck Leng Robson, who is an independent non-executive director of the Company, is also a partner of this related party.

In the opinion of the directors of the Group, the rental expenses paid to related parties are expected to be continued after the listing of the shares of the Company on the Hong Kong Stock Exchange.

(II) Related party balances

Details of outstanding balances with related parties of the Group are set out in notes 17, 21, 25 and 26.

(III) Compensation of key management personnel

The emoluments of directors who are also identified as members of key management of the Group during the Track Record Period are set out in note 10.

32. PLEDGE OF ASSETS

At the end of each reporting period, the following assets were pledged to banks for banking facilities:

	THE GROUP			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Available-for-sale investment	3,338	3,524	–	–
Bank deposits	–	–	3,531	3,531
Buildings	–	31,488	30,771	–
Investment properties	6,800	8,700	9,000	9,400
Plant and machinery	–	–	42,288	37,894
Leasehold land	–	8,333	8,144	–
	10,138	52,045	93,734	50,825

33. OPERATING LEASES

The Group as lessee

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Minimum lease payments paid under operating lease recognised as an expense	19,524	42,475	52,252	26,047	32,289

At the end of each reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP			
	Year ended 31 March			Six months ended 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	23,902	26,596	45,166	44,646
In the second to fifth year inclusive	18,061	14,932	10,963	10,973
Over five years	1,200	–	–	–
	43,163	41,528	56,129	55,619

Operating lease payments represent rentals payable by the Group for certain of its office premises and retail shops. Leases are negotiated and rentals are fixed for a period of one to three years.

The Group as lessor

Property rental income earned during the Track Record Period was as follows:

	THE GROUP				
	Year ended 31 March			Six months ended 30 September	
	2007	2008	2009	2008	2009
	HK$'000	HK$'000	HK$'000	HK$'000 (unaudited)	HK$'000
Rental income	2,376	2,423	2,722	1,601	1,269
Less: outgoings	(22)	(22)	(22)	–	–
	2,354	2,401	2,700	1,601	1,269

The properties have committed tenants at the end of each reporting period as follows:

	THE GROUP			
	Year ended 31 March			Six months ended 30 September 2009
	2007	2008	2009	
	HK$'000	HK$'000	HK$'000	HK$'000
Within one year	1,774	2,109	2,258	603
In the second to fifth year inclusive	1,221	790	86	–
	2,995	2,899	2,344	603

34. CAPITAL COMMITMENTS

	THE GROUP			
	As at 31 March			As at 30 September 2009
	2007	2008	2009	
	HK$'000	HK$'000	HK$'000	HK$'000
Capital expenditure contracted for but not provided for in Financial Information in respect of:				
– acquisition of property, plant and equipment	72,621	5,175	20,845	24,957
– capital injection in a joint venture	9,900	–	–	–
– lease premium for land	–	–	–	48,856
	82,521	5,175	20,845	73,813

35. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that the group companies will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The overall strategy remains unchanged throughout the Track Record Period.

The capital structure of the Group consists of bank borrowings and equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure regularly. As part of this review, the directors consider the cost and the risks associates with each class of the capital. Based on the recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as total borrowings divided by equity. Equity is "equity" attributable to equity holders of the Company as shown in the combined statement of financial position. The Group's overall strategy remains unchanged during the Track Record Period. The gearing ratio at 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009 were as follows:

	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Total borrowings	71,131	155,146	150,401	171,900
Total equity	438,440	613,470	804,245	1,051,156
Gearing ratio (%)	16.2%	25.3%	18.7%	16.4%

36. FINANCIAL INSTRUMENTS

Categories of financial instruments

	THE GROUP			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Derivative financial instruments	–	41,004	23,651	16,527
Loans and receivables (including cash and cash equivalents)	150,458	216,743	395,326	746,996
Available-for-sale financial asset	3,338	3,524	–	–
Financial liabilities				
Derivative financial instruments	–	31,013	14,033	5,441
Amortised cost	148,036	297,676	281,025	396,903

	THE COMPANY			
	As at 31 March			As at 30 September
	2007	2008	2009	2009
	HK$'000	HK$'000	HK$'000	HK$'000
Financial assets				
Loans and receivables (including cash and cash equivalents)	80,005	20,487	17,854	14,220

Financial risk management objectives

The directors of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (including currency risk, interest rate risk and equity price risk), credit risk and liquidity risk.

The Group's major financial instruments include trade and other receivables, trade and other payables, amounts due to directors, available-for-sale investments, derivative financial instruments, bank balances, pledged bank deposits and bank loans. The Company's major financial instruments include bank balances and other receivables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Currency risk

The Group's exposure to currency risk attributable to the trade and other receivables, bank balance, trade and other payables and bank loans, which are denominated in currencies other than the functional currency of the entity to which they related (mainly between Hong Kong dollars and United States dollars) are disclosed in respective notes. The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise. Since Hong Kong dollar is pegged to United States dollars, the Group does not expect any significant movements in Hong Kong dollars/United States dollars exchange rate.

The details of those foreign currency forward contracts of the Group as at the end of the reporting periods are set out in note 23.

The sensitivity analysis includes only outstanding foreign currency forward contracts and adjust at the year end/period end for a 5% change in foreign currency rates. A 5% strengthened of United States dollars against Renminbi will have the following impact on the results for the year/period.

	Strengthened of United States dollars against Renminbi		
	As at 31 March		As at 30 September
	2008	2009	2009
	HK$'000	HK$'000	HK$'000
Decrease in the profit for the year/period.	(1,550)	(1,183)	(173)

A 5% weakening of United States dollars against Renminbi will have the following impact on the results for the year:

	Weakening of United States dollars against Renminbi		
	As at 31 March		As at 30 September
	2008	2009	2009
	HK$'000	HK$'000	HK$'000
Increase in the profit for the year/period	2,050	702	727

The Company has no material foreign currency denominated monetary assets and liabilities as at 31 March 2007, 2008 and 2009 and 30 September 2009.

Interest rate risk

Interest rate risk arises from the potential changes in interest rates that may have an adverse effect on the Group's results for the current reporting period and in future years. The Group is exposed to interest rate risk arising from the volatility of benchmark interest rates in United States dollars, as all of bank loans and trust receipts loans and cash and cash equivalents are on floating rate basis. The Group generally does not take a speculative view on the movement in interest rates and, therefore, does not actively use interest rate derivative instruments to hedge exposed risks.

Management considered that the exposure to interest rates on its variable-rated borrowing is limited. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates. A 50 basis point change in interest rate, with all other variables were held constant, would not have a significant effect on the Group's and the Company's profit for each of the three years ended 31 March 2009 and six months ended 30 September 2009.

Credit risk

Credit risk refers to the risk that debtors will default on their obligations to repay the amounts owing to the Group, resulting in a loss to the Group. The Group has adopted procedures in extending credit terms to customers and in monitoring its credit risk.

The Group's current credit practices include assessing the customers' credit reliability and periodic review of their financial status to determine credit limits to be granted.

The credit risk on liquid funds is limited because the counterparties are banks which are reputable in the opinion of management.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at end of the financial year/period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statements of financial position of the Group and the Company.

Significant concentrations of credit risk

Concentrations of credit risk exist when changes in economic, industry or geographical factors similarly affect the Group's counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

The Group has no significant concentrations of credit risk, with exposure spreading over a large number of counterparties and customers.

Liquidity risk management

The Group is exposed to minimal liquidity risk as a substantial portion of its financial assets and financial liabilities are due within one year and it can finance its operations from existing shareholders' funds and internally generated cash flows.

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management monitors the utilisation of borrowings on a regular basis.

The following tables detail Group's contractual maturity for its financial liabilities. The tables has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest dates on which Group can be required to pay. The tables includes both interest and principal cash flows.

Liquidity and interest risk tables

THE GROUP

	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
As at 31 March 2007							
Non-derivative financial liabilities							
Trade and other payables	–	51,842	21,981	–	–	73,823	73,823
Amounts due to directors	–	3,082	–	–	–	3,082	3,082
Bank borrowings – variable rate	5.95	14,252	21,879	9,000	27,547	72,678	71,131
		69,176	43,860	9,000	27,547	149,583	148,036
As at 31 March 2008							
Non-derivative financial liabilities							
Trade and other payables	–	104,734	33,343	883	–	138,960	138,960
Amounts due to directors	–	3,570	–	–	–	3,570	3,570
Bank borrowings – variable rate	5.84	–	45,341	42,638	71,090	159,069	155,146
		108,304	78,684	43,521	71,090	301,599	297,676
Derivatives – net settlement							
Foreign currency forward contracts (liabilities)		2,554	8,677	4,920	–	16,151	31,013
Derivatives – gross settlement							
Foreign currency forward contracts (assets)							
– inflow		(39,000)	(156,000)	(491,400)	–	(686,400)	
– outflow		39,558	155,417	471,780	–	666,755	
		558	(583)	(19,620)	–	(19,645)	
As at 31 March 2009							
Non-derivative financial liabilities							
Trade and other payables	–	42,025	83,045	–	–	125,070	125,070
Amounts due to directors	–	5,554	–	–	–	5,554	5,554
Bank borrowings – variable rate	5.10	–	13,021	59,847	81,487	154,355	150,401
		47,579	96,066	59,847	81,487	284,979	281,025
Derivatives – net settlement							
Foreign currency forward contracts		–	–	422	–	422	464
Derivatives – gross settlement							
Foreign currency forward contracts (liabilities)							
– inflow		(81,653)	(249,901)	(133,250)	–	(464,804)	
– outflow		85,800	257,400	132,600	–	475,800	
		4,147	7,499	(650)	–	10,996	13,569

	THE GROUP						
	Weighted average effective interest rate	Less than 1 month	1-3 months	3 months to 1 year	Over 1 year	Total undiscounted cash flows	Carrying amount
	%	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Foreign currency forward contracts (assets)							
– inflow.		–	–	(78,000)	–	(78,000)	
– outflow		–	–	77,598	–	77,598	
		–	–	(402)	–	(402)	
As at 30 September 2009							
Non-derivative financial liabilities							
Trade and other payables.	–	108,022	109,244	–	–	217,266	217,266
Amounts due to directors.	–	7,737	–	–	–	7,737	7,737
Bank borrowings – variable rate . .	2.51	6,560	10,458	112,747	45,185	174,950	171,900
		122,319	119,702	112,747	45,185	399,953	396,903
Derivatives – net settlement							
Foreign currency forward contracts .		–	–	5,134	–	5,134	3,054
Derivatives – gross settlement							
Foreign currency forward contracts (liabilities)							
– inflow.		(15,600)	(93,600)	–	–	(109,200)	
– outflow		15,603	94,979	–	–	110,582	
		3	1,379	–	–	1,382	2,387
Foreign currency forward contracts (assets)							
– inflow.		–	(132,600)	(694,200)	–	(826,800)	
– outflow		–	131,693	692,753	–	824,446	
		–	(907)	(1,447)	–	(2,354)	

Fair value measurement of financial assets and financial liabilities

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Level 1 to 2 based on the degree to which the fair value is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

	Level 1	Level 2	Total
	HK$'000	HK$'000	HK$'000
As at 31 March 2007			
Available-for-sale investment	3,338	–	3,338
As at 31 March 2008			
Available-for-sale investment	3,524	–	3,524
Derivative financial assets	–	41,004	41,004
	3,524	41,004	44,528
Derivative financial liabilities	–	(31,013)	(31,013)
As at 31 March 2009			
Derivative financial assets	–	23,651	23,651
Derivative financial liabilities	–	(14,033)	(14,033)
As at 30 September 2009			
Derivative financial assets	–	16,527	16,527
Derivative financial liabilities	–	(5,441)	(5,441)

The fair values of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets is determined with reference to quoted market prices; and
- the fair value of other financial assets and financial liabilities (excluding derivative instruments) is determined in accordance with generally accepted pricing models based on dealer quotes for similar instruments; and
- foreign currency forward contracts are measured using quoted forward exchange rates matching maturities of the contracts.

The fair value of financial assets and financial liabilities carried at amortised cost in the Financial Information approximate their carrying amounts.

B. ULTIMATE HOLDING COMPANY AND IMMEDIATE HOLDING COMPANY

The Company's ultimate holding company is Man Wah Investments throughout the Track Record Period.

From 1 April 2006 to 17 June 2009, Man Wah Investments was the immediate holding company of the Company. From 17 June 2009 until completion of the corporate reorganisation, Alina Limited has become the immediate holding company of the Company. After the corporate reorganisation, Man Wah Investments has become the immediate holding company of the Company.

C. DIRECTORS' REMUNERATION

Save as disclosed in this report, no remuneration was paid or is payable by the Group to the directors of the Company in respect of the Track Record Period.

Under the arrangement currently in force, the aggregate amount of the directors' fees and other emoluments for the year ending 31 March 2010 is estimated to be approximately HK$10,100,000.

D. SUBSEQUENT EVENTS

The following events took place subsequent to 30 September 2009:

(a) A dividend of HK$0.4028 per share amounting to HK$268,400,000 was declared and paid to the shareholders in November 2009.

(b) On 7 December 2009, the Company issued an additional 57,616,000 shares of HK$0.40 each with 40,331,000 Shares issued to Man Wah Investments and 17,285,000 shares issued to Weston International to acquire 100% equity interest in Famous Bedding. Famous Bedding became a wholly owned subsidiary of the Company since then.

E. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Group have been prepared in respect of any period subsequent to 30 September 2009.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

UNAUDITED PRO FORMA ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets of the Group attributable to the owners of the Company as of 30 September 2009 as if the Global Offering had taken place on 30 September 2009.

This statement of unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 30 September 2009 or at any future dates following the Global Offering. It is prepared based on the consolidated net tangible assets of the Group as at 30 September 2009 as set out in the Accountants' Report of the Group, the text of which is set out in Appendix I to this Prospectus, and adjusted as described below.

	Audited consolidated net tangible assets attributable to equity holders of the Company as of 30 September 2009[(1)]	**Estimated net proceeds from the issue of Offer Shares[(2)]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company[(3)]**	**Unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per Share[(4)]**
	HK$ million	*HK$ million*	*HK$ million*	*HK$*
Based on the Offer Price of HK$8.50 per Offer Share	1,051	1,919	2,970	3.08
Based on the Offer Price of HK$11.80 per Offer Share	1,051	2,673	3,724	3.86

(1) The audited consolidated net tangible assets attributable to equity holders of the Company as at 30 September 2009 is equal to equity attributable to equity holders of the Company extracted from the Accountants' Report in Appendix I to this Prospectus.

(2) The estimated net proceeds from the Global Offering are based on the Offer Prices of HK$8.50 and HK$11.80, respectively per Offer Share, assuming no exercise of the Over-allotment Option, after deduction of underwriting fees and estimated expenses payable by the Group in connection with the Global Offering.

(3) By comparing the valuation of our property interests as set out in Appendix IV to this prospectus and the unaudited net book value of these properties as of 31 January 2010, the valuation surplus was approximately RMB164,926,000 (approximately HK$187,416,000). The valuation surplus of the property interests will not be incorporated in the consolidated financial statements for the year ending 31 March 2010. If the valuation surplus were to be included in the consolidated financial statements, an additional annual depreciation charge of approximately RMB3,700,000 (approximately HK$4,205,000) would be incurred.

(4) The unaudited pro forma adjusted consolidated net tangible assets attributable to equity holders of the Company per Share is based on a total of 965,088,000 Shares expected to be in issue immediately after the completion of the Global Offering without taking into account any Shares that may be issued upon exercise of the Over-allotment Option or upon any exercise of any options that may be granted under the Share Option Scheme.

(5) A dividend of HK$0.4028 per share amounting to HK$268,400,000 was declared and paid to the shareholders in November 2009 which has not been taken into account in the above computation of unaudited pro forma adjusted consolidated net tangibles assets.

PROFIT FORECAST FOR THE FINANCIAL YEAR ENDING 31 MARCH 2010

The following sets forth certain unaudited profit forecast data for the financial year ending 31 March 2010. Please refer to "Appendix III – Profit Forecast" for further details.

Forecast consolidated net profit attributable to equity holders of the Company(1)	not less than HK$593 million
Unaudited forecast basic earnings per Share(2)	not less than HK$61 cents

Notes:

(1) The bases and assumptions on which the above profit forecast has been prepared are summarised in Appendix III to this prospectus.

(2) The calculation of forecast basic earnings per Share for the year ending 31 March 2010 is based on the forecast consolidated net profit attributable to equity holders of the Company for the financial year ending 31 March 2010 and an assumption of a total of 965,088,000 Shares to be in issue during the entire year without taking into account any Shares that may be issued upon exercise of the Over-allotment Option or upon any exercise of any options that may be granted under the Share Option Scheme.

The following is the text of a report received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong for the purpose of incorporation in this prospectus.

Deloitte.
德勤

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION TO THE DIRECTORS OF MAN WAH HOLDINGS LIMITED

We report on the unaudited pro forma financial information of Man Wah Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the global offering might have affected the financial information presented, for inclusion in Appendix II of the prospectus dated 18 March 2010 issued by the Company (the "Prospectus"). The basis of preparation of the unaudited pro forma financial information is set out in Appendix II to the Prospectus.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants.

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Our work has not been carried out in accordance with the auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it has been carried out in accordance with those standards.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Group as at 30 September 2009 or any future date; or
- the earnings per share of the Group for the year ending 31 March 2010 or any future period.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
18 March 2010

The forecast of the consolidated profit attributable to the Shareholders for the year ending 31 March 2010 is set out in the section entitled "Financial Information" in this prospectus.

(A) BASES

The Directors have prepared the forecast of the consolidated profit attributable to the equity holders of the Company for the year ending 31 March 2010, based on the audited consolidated results of the Group for the six months ended 30 September 2009, the results shown in the unaudited management accounts for the three months ended 31 December 2009 and a forecast of results for the remaining three months ending 31 March 2010. The profit forecast has been prepared on the basis of accounting policies consistent in all material respects with the accounting policies we have presently adopted as set out in Appendix I to this prospectus and on the assumptions prepared by the Directors.

GENERAL ASSUMPTIONS

The Directors have made the following principal assumptions in the preparation of the profit forecast:

(i) There will be no material changes in the existing laws or regulations, government policies or political, legal (including changes in legislation or regulations or rules), fiscal, economic or market conditions in the PRC and U.S. in which the Group carries on its business;

(ii) There will be no material changes in the bases or rates of taxation or duties in any of the countries in which the Group operates or in which the Group's companies are incorporated or registered;

(iii) There will be no material changes in inflation rate, interest rates or exchange rates from those prevailing as from date of the Prospectus; and

(iv) There will be no government action, or any other unforeseen circumstances beyond the control of the Company which will have a material adverse effect on the operations and results of the Group.

ASSUMPTION WITH RESPECT TO VALUE OF FOREIGN CURRENCY FORWARD CONTRACT

Under IFRS, movements in the valuation of foreign currency forward contracts will be reflected in our consolidated statement of comprehensive income. Gain or loss arising from changes in the fair value of our foreign currency forward contracts are required to be recognized as a credit or charge to our consolidated statement of comprehensive income, as applicable. Our consolidated results of operation may be substantially affected by such movements.

The Directors have estimated that there will be fair value gain on valuation of foreign currency forward contract of HK$6.4 million which is estimated based on projected valuations at 31 March 2010 by certain foreign currency forward contract techniques which involve, among other things, certain estimates, including expected spot rate, foreign currency interest rate and domestic currency interest rate. This approach is consistent with the basis of valuation adopted by the independent valuer in valuing the foreign currency forward contract of the Group as set out in the Accountants' Report in Appendix I to the Prospectus. While the directors believe this is the best estimate of the fair value gain on the foreign currency forward contract for the year ending 31 March 2010, and the independent valuer, Greater China Appraisal Limited, is of the view that the assumptions upon which the forecast is based are reasonable, the fair value of the foreign currency forward contract and/or any fair value gains or losses on foreign currency forward contract as at the relevant time may differ materially from their estimate. Should the actual increase or decrease in fair value of the foreign currency forward contract differ from the amount estimated by the directors, such difference would have the effect of increasing or decreasing the net profit of the Group for the year ending 31 March 2010.

The following table illustrates the sensitivity of the forecast profit attributable to the owners of the Company to levels of fair value gain increase/decrease on foreign currency forward contract for the year ending 31 March 2010:

Percentage changes in fair value gain of foreign currency forward contract compared to our estimated fair value increase on foreign currency forward contract	–15%	–10%	–5%	5%	10%	15%
Impact on forecast consolidated profit attributable to the owners of our Company (HK$'000)	5,463	5,784	6,106	6,748	7,070	7,391

This sensitivity illustration is intended for reference only, and any variation could be different from and could exceed or fall short of the ranges given. Investors should note in particular that (i) this sensitivity illustration is not intended to be exhaustive and is limited to the impact of changes in the level of fair value gain of foreign currency forward contract and (ii) the profit forecast is subject to further and additional uncertainties generally. While we have considered for the purposes of the profit forecast what we believe is the best estimate of the fair value gains on our foreign currency forward contract for the year ending 31 March 2010, the actual fair value gains or losses on our foreign currency forward contract for that year may differ materially from our estimate and is dependent on market conditions and other factors that are beyond our control.

(B) LETTER FROM THE REPORTING ACCOUNTANTS

The following is the text of the letter, prepared for inclusion in this prospectus, received from the reporting accountants, Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, in connection with the profit forecast of the Group for the year ending 31 March 2010.

Deloitte.
德勤

德勤·關黃陳方會計師行
香港金鐘道88號
太古廣場一座35樓

Deloitte Touche Tohmatsu
35/F One Pacific Place
88 Queensway
Hong Kong

18 March 2010

The Directors
Man Wah Holdings Limited
Macquarie Capital Securities Limited

Dear Sirs,

We have reviewed the accounting policies adopted and calculations made in arriving at the forecast of the combined profit of Man Wah Holdings Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the year ending 31 March 2010 attributable to equity holders of the Company (the "Forecast"), for which the directors of the Company are solely responsible, as set out in the prospectus dated 18 March 2010 issued by the Company (the "Prospectus"). The Forecast is prepared based on the audited results of the Group for the six months ended 30 September 2009, the results shown in the unaudited management accounts of the Group for the three months ended 31 December 2009, and a forecast of the results for the remaining three months of the financial year ending 31 March 2010.

In our opinion the Forecast, so far as the accounting policies and calculations are concerned, has been properly compiled on the basis of the assumptions made by the directors of the Company as set out in the section headed "Profit Forecast" of Appendix III to the Prospectus and is presented on a basis consistent in all material respects with the accounting policies normally adopted by the Group as set out in our accountants' report on the financial information of the Group for the three years ended 31 March 2009 and the six months ended 30 September 2009 as set out in Appendix I to the Prospectus.

Without qualifying our opinion above, we draw to your attention that the directors of the Company have disclosed under the sub-section headed "Assumption With Respect to Value of Foreign Currency Forward Contract" in Appendix III to the Prospectus that the directors of the Company have estimated that there will be gain arising from changes in the fair value of foreign currency forward contracts of HK$6.4 million which is estimated based on projected valuations at 31 March 2010 by certain foreign currency forward contract techniques which involve, among other things, certain estimates, including expected spot rate, foreign currency interest rate and domestic currency interest rate. This approach is consistent with the basis of valuation adopted by the independent valuer in valuing the foreign currency forward contracts of the Group for the purpose of the preparation of the financial statements of the Group by the directors of the Company for incorporation into the financial information of the Group presented in the Accountants' Report as set out in Appendix I to the Prospectus. While the directors of the Company believe this is the best estimate of the fair value gain arising from changes in fair value of the foreign currency forward contracts for the year ending 31 March 2010, and the independent valuer, Greater China Appraisal Limited, is of the view that the assumptions upon which the forecast is based are reasonable, the fair value of the foreign currency forward contracts and/or any fair value gains or losses on foreign currency forward contracts as at the relevant time may differ materially from their estimate. Should the actual increase or decrease in fair value of the foreign currency forward contracts differ from the amount estimated by the directors of the Company, such difference would have the effect of increasing or decreasing the net profit of the Group attributable to owners of the Company for the year ending 31 March 2010.

Yours faithfully,
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

(C) LETTER FROM THE SPONSOR

The following is the text of the letter, prepared for inclusion in this prospectus, received from Macquarie, the Sole Sponsor, in connection with the profit forecast of the Group for the year ending 31 March 2010.

18 March 2010

The Board of Directors
Man Wah Holdings Limited

Dear Sirs,

We refer to the forecast of the consolidated net profit attributable to the equity holders of Man Wah Holdings Limited (the "Company") for the year ending 31 March 2010 (the "Profit Forecast") as set out in the Prospectus issued by the Company dated 18 March 2010 (the "Prospectus").

The Profit Forecast, for which you as the directors of the Company (the "Directors") are solely responsible, has been prepared based on the audited combined results of the Company and its subsidiaries (hereinafter collectively referred to as the "Group") for the six months ended 30 September 2009, the consolidated results shown in the unaudited management accounts of the Group for the three months ended 31 December 2009 and a forecast of the consolidated results of the Group for the remaining three months of the financial year ending 31 March 2010.

We have discussed with you the bases and assumptions upon which the Profit Forecast has been made. We have also considered the letter dated 18 March 2010 addressed to yourselves and ourselves from Deloitte Touche Tohmatsu regarding the accounting policies and calculations upon which the Profit Forecast has been made.

On the basis of the foregoing, the bases and assumptions made by you and the accounting policies and calculations adopted by you and reviewed by Deloitte Touche Tohmatsu, we are of the opinion that the Profit Forecast, for which you as the Directors are solely responsible, has been made after due and careful enquiry and consideration.

Yours faithfully,
For and on behalf of
Macquarie Capital Securities Limited

William Je
Senior Managing Director

Karen Wong
Managing Director

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this prospectus received from DTZ Debenham Tie Leung Limited, an independent property valuer, in connection with its opinion of values of the property interests held by the Group as at 31 January 2010. A copy of the full valuation report relating to the property interests of the Group in compliance with paragraph 34(2) of Part II of the Third Schedule of Companies Ordinance and paragraph 3(c) of Practice Note 16 prepared by DTZ Debenham Tie Leung Limited is made available for public inspection.

DTZ 戴德梁行

16th Floor
Jardine House
1 Connaught Place Central
Hong Kong

18 March 2010

The Directors
Man Wah Holdings Limited
1/F., Wah Lai Industrial Centre
10-14 Kwei Tei Street
Fotan
New Territories
Hong Kong

Dear Sirs,

Instruction, Purpose & Date of Valuation

In accordance with your instruction for us to carry out market valuations of the property interests held by Man Wah Holdings Limited (the "Company") or its subsidiaries (hereinafter referred to as "the Group") in Hong Kong and the People's Republic of China (the "PRC"), we confirm that we have carried out inspections, made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing the Group with our opinion of the values of such property interests as at 31 January 2010 (the "date of valuation").

Definition of Market Value

Our valuation of each of the property interests represents its market value which in accordance with The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors is defined as "the estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion."

In valuing the property interests, we have complied with the requirements set out in Chapter 5, Practice Notes 12 and 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and The HKIS Valuation Standards on Properties (First Edition 2005) published by The Hong Kong Institute of Surveyors.

In accordance with paragraph 3(b) of Practice Note 16 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, we have excluded the full text concerning valuation of the property interests held by the Group under operating leases from the valuation certificates.

Valuation Assumptions

Our valuations exclude an estimated price inflated or deflated by special terms or circumstances such as atypical financing, sale and leaseback arrangement, special considerations or concessions granted by anyone associated with the sale, or any element of special value.

In the course of our valuation of the property interests in the PRC, we have assumed that transferable land use rights in respect of the property interests for respective specific terms at nominal annual land use fees have been granted and that, unless otherwise stated, any premium payable have already been fully settled. We have relied on the advice given by the Group and the opinion of the legal adviser to the Group as to PRC laws, Jingtian & Gongcheng, regarding the titles to the property interests. In valuing the property interests, we have assumed that the grantees or the users of the property interests have free and uninterrupted rights to use or to assign the property interests for the whole of the unexpired terms as granted.

No allowance has been made in our valuation for any charges, mortgages or amounts owing on the property interests nor for any expenses or taxation, which may be incurred in effecting sales. Unless otherwise stated, it is assumed that the property interests are free from encumbrances, restrictions and outgoing of an onerous nature, which could affect their values.

Methods of Valuation

In valuing the property interests in Group I, Group II and Property No. 3 in Group III, which are currently held by the Group for owner occupation or investment in Hong Kong and the PRC, we have adopted the direct comparison method with vacant possession by making reference to comparable sales evidences as available in the relevant market, or where appropriate by the investment method by capitalizing the net income derived from the existing tenancies with allowance for the reversionary income potential of the properties.

In valuing Property Nos. 4 and 5 in Group III, which are currently held by the Group for owner occupation in the PRC, we have adopted the Depreciated Replacement Costs ("DRC") Approach. DRC is based on an estimate of the market value for the existing use of the land, plus the current gross replacement costs of the improvements, less allowances for physical deterioration and all relevant forms of obsolescence and optimization. The term gross replacement cost is defined as the estimated cost of erecting the building or a modern substitute building having the same area as the existing building at prices current at the relevant date. This figure includes fees and finance charges payable during the construction period and other associated expenses directly related to the construction of the building. The DRC Approach generally furnishes a reliable indication of value for properties with specific nature and design of buildings, in the absence of identifiable market sales comparables. The DRC is subject to adequate potential profitability of the business.

In valuing the property interests in Group IV, which are held by the Group for future development in the PRC, we have adopted the direct comparison approach by making reference to comparable sales evidence as available in the relevant market with vacant possession.

The property interests in Group V, Group VI, Group VII and Group VIII, which are leased to the Group in Hong Kong, Macau, the PRC and the United States respectively, have no commercial value due to prohibition against assignment or lack of substantial profit rent.

Source of Information

We have relied to a very considerable extent on the information given by the Group and have accepted advice given to us on such matters as planning approvals, statutory notices, easements, tenure, completion date of buildings, building specifications, particulars of occupancy, tenancy details, site and floor areas and all other relevant matters.

Dimension, measurements and areas included in this valuation report are based on information provided to use and therefore only approximations. We have had no reason to doubt the truth and accuracy of the information provided. We were also advised by you that no material facts have been omitted from the information supplied.

Site Inspection

We have inspected the exterior and, wherever possible, the interior of each of the properties. However, we have not carried out investigations on site to determine the suitability of the soil conditions and the services etc. for any future development. Our valuations are prepared on the assumption that these aspects are satisfactory and that no extraordinary costs or delays will be incurred during the construction period. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defects. We are, however, not able to report that the properties are free of rot, infestation or any other structural defects. No tests were carried out to any of the services.

We have not been able to carry out detailed on-site measurements to verify the site and floor areas of the properties and we have assumed that the areas shown on the copies of documents handed to us are correct.

Title Investigation

Regarding the properties in Hong Kong, we have caused searches to be made at the Land Registry. We have not been able to cause title searches for the properties in the PRC but we have made reference to the copies of the title documents which have been made available to us by you. However, for all properties, we have not searched the original documents to verify ownership or to verify any amendments to any documents. All documents and leases have been used for reference only and all dimensions, measurements and areas are approximate.

Currency

Unless otherwise stated, all money amounts indicated herein are in Hong Kong dollars for the property interests in Hong Kong and Renminbi for the property interests in the PRC.

We enclose herewith a summary of our valuations and valuation certificates.

Yours faithfully,
For and on behalf of
DTZ Debenham Tie Leung Limited
K.B. Wong
Registered Professional Surveyor (GP)
Registered China Real Estate Appraiser
M.R.I.C.S., M.H.K.I.S.
Director

Note: *Mr. K.B. Wong is a Registered Professional Surveyor who has over 20 years' experience in the valuation of properties in Hong Kong, Macau and the PRC and also has extensive experience in valuation of properties in the United States.*

SUMMARY OF VALUATIONS

	Property	Capital value in existing state as at 31 January 2010
	Group I – Property interest held by the Group for investment in Hong Kong	
1.	All the portion of Ground Floor and whole of 1st Floor (and the flat roof appertaining thereto), Circle Court, Nos. 3 & 5 Java Road, North Point, Hong Kong	HK$9,400,000
	Group I Total:	HK$9,400,000
	Group II – Property interest held by the Group for investment in the PRC	
2.	Factory No. 1 and portion of Dormitory No. 1 located at Man Wah Technological and Industrial Zone, Western Section of Daya Bay Economic and Technological Development Zone, Huizhou City, Guangdong Province, the PRC	RMB15,000,000
	Group II Total:	RMB15,000,000
	Group III – Property interests held by the Group for owner occupation in the PRC	
3.	Unit 1904, Tower 1, Huiyang World Trade Plaza, Baiyun Er Road, Danshui Town, Huiyang District, Huizhou City, Guangdong Province, the PRC	RMB1,600,000

	Property	Capital value in existing state as at 31 January 2010
4.	Portion held for owner occupation in Industrial Complex located at Man Wah Technological and Industrial Zone Western Section of Daya Bay Economic and Technological Development Zone, Huizhou City, Guangdong Province, the PRC	RMB402,400,000
5.	Industrial Complex located at Man Wah Industrial Zone No. 189 Industrial District, Henggang Town, Longgang, Shenzhen City, Guangdong Province, the PRC	RMB35,000,000
	Group III Total:	RMB439,000,000

Group IV – Property interest held by the Group for future development in the PRC

6	A piece of industrial land located in Wujiang Economic Development Zone, Wujiang City, Jiangsu Province, the PRC	RMB53,700,000
	Group IV Total:	RMB53,700,000
	Groups II to IV Total:	RMB507,700,000

Group V – Property interest leased by the Group in Hong Kong

7	6 leased and 3 licenced properties in Hong Kong	No commercial value

Group VI – Property interest leased by the Group in Macau

8.	1 leased property in Macau	No commercial value

	Property	Capital value in existing state as at 31 January 2010

Group VII – Property interests leased by the Group in the PRC

	Property	Capital value in existing state as at 31 January 2010
9.	2 properties leased by Man Wah Furniture Manufacturing (Shenzhen) Co., Ltd. (敏華家具製造(深圳)有限公司) in Shenzhen City, Guangdong Province	No commercial value
10.	7 properties leased by Guangzhou An Lan Da Furniture Co., Ltd. (廣州安蘭大家具有限公司) in Guangzhou City, Guangdong Province	No commercial value
11.	8 properties leased by Shenzhen An Lan Da Furniture Co., Ltd. (深圳安蘭大家具有限公司) in Shenzhen City, Guangdong Province	No commercial value
12.	9 properties leased by Chengdu Minhua Furniture Co., Ltd. (成都敏華家具有限公司) in Chengdu City, Sichuan Province	No commercial value
13.	8 properties leased by Beijing Min Hua Ai Meng Furniture Co., Ltd. (北京敏華愛蒙家具有限公司) in Beijing City	No commercial value
14.	21 properties leased by Shanghai Carnival Home Furnishing Co., Ltd. (上海嘉年名華家具製造有限公司) in Shanghai City	No commercial value
15.	12 properties leased by Shenzhen Carnival Home Furnishing Co., Ltd. (深圳嘉年名華家具有限公司) in Shenzhen City, Guangdong Province	No commercial value

	Property	Capital value in existing state as at 31 January 2010
16.	A property leased by Huizhou Carnival Home Furnishing Co., Ltd. (惠州市嘉年名華家具有限公司) in Huizhou City, Guangdong Province	No commercial value
17.	10 properties leased by Guangzhou Man Wah Home Furnishing Co., Ltd. (廣州敏華家具有限公司) in Guangzhou City and Zhongshan City, Guangdong Province	No commercial value
18.	4 properties leased by Nanchang Man Wah Furniture Co., Ltd. (南昌敏華家具有限公司) in Nanchang City, Jiangxi Province	No commercial value
19.	8 properties leased by Wuhan Man Wah Home Furnishing Co., Ltd. (武漢敏華家具有限公司) in Wuhan City, Hubei Province	No commercial value
20.	2 properties leased by Dongguan Man Wah Furniture Co., Ltd. (東莞敏華家具有限公司) in Dongguan City and Foshan City, Guangzhou Province	No commercial value
21.	2 properties leased by Zhuhai Man Wah Furniture Co., Ltd. (珠海敏華家具有限公司) in Zhuhai City, Guangzhou Province	No commercial value
22.	7 properties leased by Xi An Man Wah Furniture (西安名華軒家具有限公司) in Xian City and Xianyang City, Shanxi Province	No commercial value

Property	Capital value in existing state as at 31 January 2010
23. 9 properties leased by Hangzhou Man Wah Furniture (杭州名華軒家具有限公司) in Hangzhou City, Zhejiang Province	No commercial value
24. 3 properties leased by Dalian Man Wah Furniture Co., Ltd. (大連敏華家具有限公司) in Dalian City, Liaoning Province	No commercial value
25. 1 property leased by Man Wah Industrial (Wujiang) Co., Ltd. (敏華實業(吳江)有限公司) in Wujiang City, Jiangsu Province	No commercial value
26. 2 properties leased by King Famous Bedding Manufacturing (Shenzhen) Co., Ltd. (金雅典床具製造(深圳)有限公司) in Shenzhen City, Guangdong Province	No commercial value

Group VIII – Property interests leased by the Group in the United States

27. 4 leased properties in the United States	No commercial value

VALUATION CERTIFICATE

Group I – Property interest held by the Group for investment in Hong Kong

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2010
1.	All that portion of Ground Floor and whole of 1st Floor (and the flat roof appertaining thereto), Circle Court, Nos. 3 & 5 Java Road, North Point, Hong Kong 40/823rd shares of and in The Remaining Portion of Inland Lot No. 7479, The Remaining Portion of Inland Lot No. 7480, The Remaining Portion of Inland Lot No. 7481 and The Remaining Portion of Inland Lot No. 7482	The property comprises portion of Ground Floor and the whole of 1st Floor of a 25-storey composite building of which the Ground Floor and 1st Floor are used for commercial purposes. The subject building was completed in 1994. The total saleable area of the property is approximately 198.35 sq.m. including the entrance on Ground Floor of approximately 13.47 sq.m.. In addition, the property has a flat roof area of approximately 4.92 sq.m.. The property is held under Government Leases for terms of 75 years renewable for another 75 years commencing on 5 September 1921. The Government rent payable for the property is approximately HK$21,600 per annum.	As at the date of valuation, the property was leased to a tenant, an independent third party, on monthly basis at a monthly rent of HK$50,000 exclusive of rates and management fee. The property was occupied as an elderly care centre.	HK$9,400,000

Notes:

(1) The registered owner of the property is Man Wah (International) Industrial Limited (an indirect wholly-owned subsidiary of the Company) by virtue of an Assignment registered at the Land Registry by memorial no. UB8666794 dated 2 April 2002.

(2) The property is subject to a mortgage registered at the Land Registry by memorial no. UB8735081 dated 24 June 2002 in favour of The Hongkong and Shanghai Banking Corporation Limited.

VALUATION CERTIFICATE

Group II – Property interest held by the Group for investment in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2010
2.	Factory No. 1 and portion of Dormitory No. 1 located at Man Wah Technological and Industrial Zone, Western Section of Daya Bay Economic and Technological Development Zone, Huizhou City, Guangdong Province, the PRC	The property comprises a factory and portion of a dormitory, erected upon a portion of a parcel of land in rectangular shape with a site area of approximately 259,000 sq.m.. The buildings were completed in 2006. The property has a total gross floor area of 15,084.76 sq.m., which is summarised as follows: **Building** / **Gross Floor Area (sq.m.)** Factory No.1: 12,809.76 Portion of Dormitory No.1: 2,124.00 Total: 14,933.76 The land use rights of the property have been granted for a term of 50 years expiring on 1 August 2055 for industrial use.	As at the date of valuation, the property was leased to a tenant for a term of 3 years expiring on 31 December 2012 at a monthly rent of RMB156,804.48.	RMB15,000,000

Notes:

(1) According to the Land Use Agreement signed between The State-owned Land Resources Bureau of Huizhou Daya Bay Economic and Technological Development Zone (Party A) and Man Wah Industrial Company Limited (敏華實業有限公司) (Party B) on 25 May 2005, Party A agreed to grant the land use rights of the property with a site area of 259,000 sq m to Party B for a term of 50 years for industrial use. The land grant fee is RMB33,670,000.

(2) According to Certificate for the Use of State-owned Land Hui Wan Guo Yong Di No. (2005) 13210100457 issued by the People's Government of Huizhou on 2 August 2005, the land use rights of a piece of land, with a site area of 259,000 sq.m. are vested in Man Wah Furniture Manufacturing (Huizhou) Co, Ltd. (敏華家具製造(惠州)有限公司 for a term of 50 years expiring on 1 August 2055 for industrial use.

(3) According to 2 Real Estate Ownership Certificates issued by the People's Government of Huizhou, the building ownership rights of Factory No. 1 and Dormitory No. 1 with a total gross floor area of 31,009.81 sq.m. are vested in Man Wah Furniture Manufacturing (Huizhou) Co, Ltd. (敏華家具製造(惠州)有限公司). The salient details are summarised as follows:-

Certificate No.	**Building**	**Gross Floor Area**
		sq.m.
Yue Fang Di Zheng Zi Di No. C3813819.	Factory No. 1	12,809.76
Yue Fang Di Zheng Zi Di No. C3813813.	Dormitory No. 1	18,200.05
	Total:	31,009.81

As advised by the Group, the property comprises Factory No. 1 with a total gross floor area of 12,809.76 sq.m. and portion of Dormitory No. 1 with a total gross floor area of 2,124 sq.m.. In the course of our valuation, we have valued the property in accordance with the gross floor area provided by the Group.

(4) According to Business Licence No. 0603210 dated 14 July 2008, Man Wah Furniture Manufacturing (Huizhou) Co, Ltd. (敏華家具製造(惠州)有限公司) was established with a registered capital of USD54,800,000 and a valid operation period from 23 June 2005 to 22 June 2055.

(5) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:

(i) The land grant fee of the property has been fully settled. Man Wah Furniture Manufacturing (Huizhou) Co, Ltd. (敏華家具製造(惠州)有限公司) has legally obtained the land use rights and the building ownership rights of the property;

(ii) The Real Estate Ownership Certificates are valid and legal; and

(iii) Man Wah Furniture Manufacturing (Huizhou) Co, Ltd. (敏華家具製造(惠州)有限公司) is in possession of a proper legal title to the property and is entitled to occupy, use, lease, transfer, mortgage and dispose of the property without further approval, permission or agreement from any government departments or organisations in accordance with the laws.

(6) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	Yes
Real Estate Ownership Certificate	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group III – Property interests held by the Group for owner occupation in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2010
3.	Unit 1904, Tower 1, Huiyang World Trade Plaza, Baiyun Er Road, Danshui Town, Huiyang District, Huizhou City, Guangdong Province, the PRC	The property comprises an office unit on level 19 of a 26-storey office building, which was completed in 2007. The property has a gross floor area of 281.63 sq.m.. According to the Real Estate Ownership Certificate, the land use rights of the property have been granted for an unspecified term for office use.	As at the date of valuation, the property was vacant.	RMB1,600,000

Notes:

(1) According to Real Estate Ownership Certificate Yue Fang Di Quan Zheng Hui Zhou Zi Di No. 1110001649, the building ownership right of the property with a gross floor area of 281.63 sq.m. for office use is vested in Man Wah (Macao Commercial Offshore) Limited (敏華(澳門離岸商業服務)有限公司).

(2) According to the Real Estate Sale and Purchase Contract entered into between 林文淞 (the Vendor) and Man Wah (Macao Commercial Offshore) Limited (敏華(澳門離岸商業服務)有限公司) (the Purchaser) on 21 October 2009, the Vendor agreed to sell the property with a gross floor area of 281.63 sq.m. to the Purchaser for a consideration of RMB1,520,000.

(3) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:

(i) Man Wah (Macao Commercial Offshore) Limited (敏華(澳門離岸商業服務)有限公司) has legally obtained the land use rights and the building ownership rights of the property; and

(ii) Man Wah (Macao Commercial Offshore) Limited (敏華(澳門離岸商業服務)有限公司) is in possession of a proper legal title to the property and is entitled to legally occupy, use, lease, transfer, mortgage and dispose of the property without further approval, permission or agreement from any government departments or organisations in accordance with laws.

(4) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Real Estate Ownership Certificate . . . . Yes
Real Estate Sale and Purchase Contract . . . . Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2010
4.	Portion held for owner occupation in Industrial Complex located at Man Wah Technological and Industrial Zone Western Section of Daya Bay Economic and Technological Development Zone, Huizhou City, Guangdong Province, the PRC	The property comprises 13 factories and 5 dormitories with a total gross floor area of 230,344 sq.m., erected upon a portion of a piece of land in rectangular shape with a site area of approximately 259,000 sq.m.. The buildings were completed in 2006 or 2008. (For the details of the floor areas of the buildings, please see note 3 below) As inspected, a research office building with a total gross floor area of 30,797.67 sq.m. is under construction and scheduled to be completed in February 2010. (Please see notes 6 and 7 below) The land use rights of the property have been granted for a term of 50 years expiring on 1 August 2055 for industrial use.	As at the date of valuation, portion of the Factory No. 2 was leased to Huizhou Ao Li Electronic Tech (惠州市傲力電子科技(有限公司, a jointly controlled entities of the Group, for a term of 3 years from 1 August 2007 to 31 July 2010 at a monthly rent of RMB21,530. The remaining portion of the property was occupied by the Group as factory and dormitory.	RMB402,400,000

Notes:

(1) According to the Land Use Agreement signed between The State-owned Land Resources Bureau of Huizhou Daya Bay Economic and Technological Development Zone (Party A) and Man Wah Industrial Company Limited (敏華實業有限公司) (Party B) on 25 May 2005, Party A agreed to grant the land use rights of the property with a site area of 259,000 sq m to Party B for a term of 50 years for industrial use. The land grant fee is RMB33,670,000.

(2) According to Certificate for the Use of State-owned Land Hui Wan Guo Yong Di No. (2005) 13210100457 issued by the People's Government of Huizhou on 2 August 2005, the land use rights of a piece of land, with a site area of 259,000 sq.m. are vested in Man Wah Furniture Manufacturing (Huizhou) Co, Ltd. (敏華家具製造(惠州)有限公司) for a term of 50 years expiring on 1 August 2055 for industrial use.

(3) According to 18 Real Estate Ownership Certificates issued by the People's Government of Huizhou, the building ownership rights of the property with a total gross floor area of 232,468 sq.m. are vested in Man Wah Furniture Manufacturing (Huizhou) Co, Ltd. (敏華家具製造(惠州)有限公司). The salient conditions are summarised as follows:-

Certificate No.	Building	Gross Floor Area
		sq.m.
Yue Fang Di Zheng Zi Di No. C3813818.	Factory No. 2	5,025.61
Yue Fang Di Zheng Zi Di No. C3813815.	Factory No. 3	8,241.16
Yue Fang Di Zheng Zi Di No. C3813817.	Factory No. 5	8,241.16
Yue Fang Di Zheng Zi Di No. C3813816.	Factory No. 6	8,241.16
Yue Fang Di Zheng Zi Di No. C3813814.	Factory No. 7	8,241.16
Yue Fang Di Zheng Zi Di No. C3838020.	Factory No. 8	8,240.71
Yue Fang Di Zheng Zi Di No. C3838019.	Factory No. 9	8,240.71
Yue Fang Di Zheng Zi Di No. C5815864.	Factory No. 11	19,993.24
Yue Fang Di Zheng Zi Di No. C5815863.	Factory No. 13	19,993.24
Yue Fang Di Zheng Zi Di No. C5815862.	Factory No. 15	19,993.24
Yue Fang Di Zheng Zi Di No. C5815861.	Factory No. 17	19,993.24
Yue Fang Di Zheng Zi Di No. C5815860.	Factory No. 19	19,993.24

Certificate No.	Building	Gross Floor Area
		sq.m.
Yue Fang Di Zheng Zi Di No. C5815866.	Factory No. 21	20,020.98
Yue Fang Di Zheng Zi Di No. C3813813.	Dormitory No. 1	18,200.05
Yue Fang Di Zheng Zi Di No. C5815858.	Dormitory No. 2	14,313.60
Yue Fang Di Zheng Zi Di No. C5815857.	Dormitory No. 3	14,313.60
Yue Fang Di Zheng Zi Di No. C5815856.	Dormitory No. 6	5,842.29
Yue Fang Di Zheng Zi Di No. C5815865.	Dormitory No. 8	5,339.61
	Total:	232,468.00

As advised by the Group, portion of Dormitory No.1 with a total gross floor area of 2,124 sq.m. is held by the Group for investment (please see Property No. 2). In the course of our valuation, we have valued the property excluding this portion. The total gross floor area of the property is 230,344 sq.m..

(4) According to Planning Permit for the Use of Construction Land No. (2005)0281 issued on 7 July 2005, the land use of the project has complied with the planning requirements.

(5) According to Planning Permit for Construction Works Hui Shi Wan Gui Jian Xu No. (2008)0073 issued on 7 April 2008, the construction of the research office building with a total gross floor of 30,797.67 sq.m. complied with the planning requirements.

(6) According to Permit for Commencement of Construction Works No. 441301200810210101 issued on 21 October 2008, the research office building with a total gross floor area of 30,797.67 sq.m. is permitted to commence construction works.

(7) According to Record of Completion of Building Construction and Infrastructure Works, the Construction Works Management Office of Huizhou Daya Bay Economic and Technological Development Zone has received all the relevant documents and accepted the record on 20 January 2010.

(8) As inspected, the research office building with a total gross floor area of 30,797.67 sq.m. is under construction. As advised by the Group, the estimated total construction cost for the office building is approximately RMB86,300,000 and the total expended construction cost as at the date of valuation was approximately RMB76,400,000. In the course of our valuation, we have taken into account the construction cost in our valuation.

(9) According to Business Licence No. 0603210 dated 14 July 2008, Man Wah Furniture Manufacturing (Huizhou) Co, Ltd. (敏華家具製造(惠州)有限公司) was established with a registered capital of USD54,800,000 and a valid operation period from 23 June 2005 to 22 June 2055.

(10) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:

(i) The land grant fee of the property has been fully settled. Man Wah Furniture Manufacturing (Huizhou) Co, Ltd. (敏華家具製造(惠州)有限公司) has legally obtained the land use rights and the building ownership rights of the property;

(ii) The Real Estate Ownership Certificates are valid and legal;

(iii) Man Wah Furniture Manufacturing (Huizhou) Co, Ltd. (敏華家具製造(惠州)有限公司) is in possession of a proper legal title to the property and is entitled to legally occupy, use, lease, transfer, mortgage and dispose of the property without further approval, permission or agreement from any government departments or organisations in accordance with laws; and

(iv) The under construction portion of the property has obtained all necessary approvals and permissions for the construction works.

(11) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	Yes
Real Estate Ownership Certificate	Yes
Planning Permit for the Use of Construction Land	Yes
Planning Permit for Construction Works	Yes
Permit for Commencement of Construction Works	Yes
Record of Completion of Building Construction and Infrastructure Works	Yes
Business Licence	Yes

VALUATION CERTIFICATE

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2010
5.	Industrial Complex located at Man Wah Industrial Zone No. 189 Industrial District, Henggang Town, Longgang, Shenzhen City, Guangdong Province, the PRC	The property comprises a parcel of land in irregular shape with a site area of approximately 14,544.86 sq.m.. 5 blocks of buildings with a total gross floor area of approximately 27,891.56 sq.m. were erected on the land, which were completed between 1999 and 2003 (For the details of the floor areas of the buildings, please see note 1 below) The land use rights of the property have been granted for a term of 50 years from 15 May 1998 to 14 May 2048 for industrial use.	As at the date of valuation, the property was occupied by the Group as production facilities and dormitory.	RMB35,000,000

Notes:

(1) According to 5 Real Estate Ownership Certificates issued by the People's Government of Shenzhen, the land use rights of the property with a site area of 14,544.86 sq.m. and the building ownership rights of the property with a total gross floor area of 27,891.56 sq.m. are vested in Man Wah Industrial Company Limited (敏華實業有限公司) (an indirect wholly-owned subsidiary of the Company) for a term of 50 years from 15 May 1998 to 14 May 2048. The salient conditions are summarised as follows:

Certificate Nos.	Building	Gross Floor Area
		sq.m.
Shen Fang Di Zi Di No. 6000138160	Factory No. 1	5,154.63
Shen Fang Di Zi Di No. 6000136479	Factory No. 2	9,132.31
Shen Fang Di Zi Di No. 6000168471	Factory No. 3	5,104.06
Shen Fang Di Zi Di No. 6000138161	Dormitory No. 1	2,645.93
Shen Fang Di Zi Di No. 6000168470	Dormitory No. 2	5,854.63
	Total:	27,891.56

(2) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:

(i) Man Wah Industrial Company Limited (敏華實業有限公司) has legally obtained the land use rights and the building ownership rights of the property; and

(ii) Man Wah Industrial Company Limited (敏華實業有限公司) is in possession of a proper legal title to the property and is entitled to legally occupy, use, lease, transfer, mortgage and dispose of the property without further approval, permission or agreement from any government departments or organisations in accordance with laws.

(3) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Real Estate Ownership Certificate . . . . Yes

VALUATION CERTIFICATE

Group IV – Property interest held by the Group for future development in the PRC

	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 January 2010
6.	A piece of industrial land located in Wujiang Economic Development Zone, Wujiang City, Jiangsu Province, the PRC	The property comprises a piece of land in irregular shape with a site area of approximately 186,480 sq.m.. The land use rights of the property have been granted for a term expiring on 19 February 2059 for industrial use.	As at the date of valuation, the property was a vacant site.	RMB53,700,000

Notes:

(1) According to Certificate for the Use of State-owned Land Jiang Guo Yong (2010) Di No. 2600032 issued by the People's Government of Wujiang on 16 January 2010, the land use rights of a piece of land, with a site area of 186,480 sq.m. are vest in Man Wah Industrial (Wujiang) Co., Ltd. (敏華實業(吳江)有限公司) for a term expiring on 19 February 2059 for industrial use.

(2) According to the State-owned Land Use Rights Grant Contract entered into between Wujiang Land and Resources Bureau (the Grantor) and Man Wah Industrial (Wujiang) Co., Ltd. (敏華實業(吳江)有限公司) (the Grantee) on 20 December 2008, the Grantor has agreed to grant the land use rights of the property to the Grantee. The salient details are shown as follows:

Total Site Area	:	186,480.20 sq.m.
Land Use	:	Industrial
Nature of Main Building	:	Factory
Land Use Term	:	50 years commencing on 20 February 2009
Site Coverage	:	Over 40% and not exceeding 60%
Total Gross Floor Area	:	Not over 372,960.40 sq.m.
Plot Ratio	:	Over 0.8 and not exceeding 2.0
Building Height	:	Not exceeding 6 storeys or not exceeding 18 meters
Land Grant Fee	:	RMB46,993,010

(3) According to Planning Permit for the Use of Construction Land Di Zi Di No. 320584200803080 issued by Planning and Construction Bureau of Wujiang Economic Development Zone on 18 September 2008, the construction project has complied with the planning requirements. The salient details are as follows:

Land Use Party	:	Man Wah Industrial (Wujiang) Co., Ltd. (敏華實業(吳江)有限公司)
Land Use Project Name	:	Factory
Location	:	West side of Tongjin Avenue, south side of Ganquan Road East
Land Use	:	Industrial
Construction Scale	:	289,974 sq.m.

(4) According to Business Licence No. 320000000200007160025 dated 16 July 2009, Man Wah Industrial (Wujiang) Co., Ltd. (敏華實業(吳江)有限公司) was established with a registered capital of USD60,000,000 and a valid operation period from 23 May 2008 to 22 May 2058.

(5) We have been provided with a legal opinion on the title to the property issued by the Group's PRC legal adviser which contains, inter-alia, the following information:

(i) Man Wah Industrial (Wujiang) Co., Ltd. (敏華實業(吳江)有限公司) has legally obtained the land use rights of the property; and

(ii) The land grant fee of the property has been fully settled. Man Wah Industrial (Wujiang) Co., Ltd. (敏華實業(吳江)有限公司) is in possession of a proper legal title to the property and is entitled to legally occupy, use, lease, transfer, mortgage and dispose of the property at no extra land premium to the government.

(6) In accordance with the PRC legal opinion and the information provided by the Group, the status of title and grant of major approvals and licenses are as follows:

Certificate for the Use of State-owned Land	Yes
State-owned Land Use Rights Grant Contract	Yes
Planning Permit for the Use of Construction Land	Yes
Business Licence	Yes

VALUATION CERTIFICATE

Group V – Property interests leased by the Group in Hong Kong

	Property	Description and tenure	Capital value in existing state as at 31 January 2010
7.	6 leased and 3 licenced properties in Hong Kong	The properties comprise 9 various shops, workshops and ancillary office with a total floor area of approximately 51,646 sq.ft. which are currently leased/ licenced and occupied by the Group for commercial, industrial or ancillary office use. The properties are subject to 6 tenancy agreements and 3 licences for various terms of 2 to 3 years with the latest expiry date in September 2012 at a total monthly rent of approximately HK$998,460.	No commercial value

Group VI – Property interest leased by the Group in Macau

	Property	Description and tenure	Capital value in existing state as at 31 January 2010
8.	1 leased property in Macau	The property comprises an office with a floor area of approximately 51.90 sq.m. which is currently leased and occupied by the Group for office use. The property is subject to a tenancy agreement for a term of 2 years due to expire in June 2011 at a monthly rent of approximately HK$5,000.	No commercial value

VALUATION CERTIFICATE

Group VII – Property interests leased by the Group in the PRC

	Property	Description and tenure	Capital value in existing state as at 31 January 2010
9.	2 properties leased by Man Wah Furniture Manufacturing (Shenzhen) Co., Ltd. (敏華家具製造（深圳）有限公司) in Shenzhen City, Guangdong Province	The properties comprise a shop and a factory with a total floor area of approximately 4,756.85 sq.m. which are currently leased and occupied by Man Wah Furniture Manufacturing (Shenzhen) Co., Ltd. (敏華家具製造（深圳）有限公司) for commercial and industrial use. The properties are subject to 2 tenancy agreements both for a term of 1 year with the latest expiry date in July 2010 at a total monthly rent of approximately RMB77,314.	No commercial value
10.	7 properties leased by Guangzhou An Lan Da Furniture Co., Ltd. (廣州安蘭大家具有限公司) in Guangzhou City, Guangdong Province	The properties comprise 7 various shops with a total floor area of approximately 1,324.76 sq.m. which are currently leased and occupied by Guangzhou An Lan Da Furniture Co., Ltd. (廣州安蘭大家具有限公司) for commercial use. The properties are subject to 7 tenancy agreements all for a term of 1 year with the latest expiry date in April 2011 at a total monthly rent of approximately RMB98,342.	No commercial value
11.	8 properties leased by Shenzhen An Lan Da Furniture Co., Ltd. (深圳安蘭大家具有限公司) in Shenzhen City, Guangdong Province	The properties comprise 7 various shops and an industrial unit with a total floor area of approximately 1,933.12 sq.m. which are currently leased and occupied by Shenzhen An Lan Da Furniture Co., Ltd. (深圳安蘭大家具有限公司) for commercial use. The properties are subject to 8 tenancy agreements for various terms of 1 to 2 years with the latest expiry date in August 2010 at a total monthly rent of approximately RMB170,719.	No commercial value
12.	9 properties leased by Chengdu Minhua Furniture Co., Ltd. (成都敏華家具有限公司) in Chengdu City, Sichuan Province	The properties comprise 9 various shops with a total floor area of approximately 3,471.73 sq.m. which are currently leased and occupied by Chengdu Minhua Furniture Co., Ltd. (成都敏華家具有限公司) for commercial use. The properties are subject to 9 tenancy agreements all for a term of 1 year with the latest expiry date in August 2010 at a total monthly rent of approximately RMB311,759.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenure	Capital value in existing state as at 31 January 2010
13.	8 properties leased by Beijing Min Hua Ai Meng Furniture Co., Ltd. (北京敏華愛蒙家具有限公司) in Beijing City	The properties comprise 8 various shops with a total floor area of approximately 1,064.2 sq.m. which are currently leased and occupied by Beijing Min Hua Ai Meng Furniture Co., Ltd. (北京敏華愛蒙家具有限公司) for commercial use. The properties are subject to 8 tenancy agreements for various terms of 6 months to 1 year with the latest expiry date in August 2010 at a total monthly rent of approximately RMB276,498.	No commercial value
14.	21 properties leased by Shanghai Carnival Home Furnishing Co., Ltd. (上海嘉年名華家具製造有限公司) in Shanghai City	The properties comprise 21 various shops with a total floor area of approximately 12,186.63 sq.m. which are currently leased and occupied by Shanghai Carnival Home Furnishing Co., Ltd. (上海嘉年名華家具製造有限公司) for commercial use. The properties are subject to 21 tenancy agreements for various terms of 1 to 10 years with the latest expiry date in October 2016 at a total monthly rent of approximately RMB1,726,213.	No commercial value
15.	12 properties leased by Shenzhen Carnival Home Furnishing Co., Ltd. (深圳嘉年名華家具有限公司) in Shenzhen City, Guangdong Province	The properties comprise 11 various shops and an industrial unit with a total floor area of approximately 6,985.29 sq.m. which are currently leased and occupied by Shenzhen Carnival Home Furnishing Co., Ltd. (深圳嘉年名華家具有限公司) for commercial use. The properties are subject to 12 tenancy agreements for various terms of 1 to 2 years with the latest expiry date in September 2010 at a total monthly rent of approximately RMB561,692.	No commercial value
16.	A property leased by Huizhou Carnival Home Furnishing Co., Ltd. (惠州市嘉年名華家具有限公司) in Huizhou City, Guangdong Province	The property comprises a shop with a floor area of approximately 308 sq m which is currently leased and occupied by Huizhou Carnival Home Furnishing Co., Ltd. (惠州市嘉年名華家具有限公司) for commercial use. The property is subject to a tenancy agreement for a term of 2 years expiring in August 2010 at a monthly rent of approximately RMB33,000.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenure	Capital value in existing state as at 31 January 2010
17.	10 properties leased by Guangzhou Man Wah Home Furnishing Co., Ltd. (廣州敏華家具有限公司) in Guangzhou City and Zhongshan City, Guangdong Province	The properties comprise 10 various shops with a total floor area of approximately 6,688.03 sq.m. which are currently leased and occupied by Guangzhou Man Wah Home Furnishing Co., Ltd. (廣州敏華家具有限公司) for commercial use. The properties are subject to 10 tenancy agreements for various terms of 1 to 5 years with the latest expiry date in October 2013 at a total monthly rent of approximately RMB400,587.	No commercial value
18.	4 properties leased by Nanchang Man Wah Furniture Co., Ltd. (南昌敏華家具有限公司) in Nanchang City, Jiangxi Province	The properties comprise 4 various shops with a total floor area of approximately 1,945.44 sq.m. which are currently leased and occupied by Nanchang Man Wah Furniture Co., Ltd. (南昌敏華家具有限公司) for commercial use. The properties are subject to 4 tenancy agreements for various terms of 1 to 2 years with the latest expiry date in August 2011 at a total monthly rent of approximately RMB49,010.	No commercial value
19.	8 properties leased by Wuhan Man Wah Home Furnishing Co., Ltd. (武漢敏華家具有限公司) in Wuhan City, Hubei Province	The properties comprise 8 various shops with a total floor area of approximately 3,524.96 sq.m. which are currently leased and occupied by Wuhan Man Wah Home Furnishing Co., Ltd. (武漢敏華家具有限公司) for commercial use. The properties are subject to 8 tenancy agreements for various terms of 1 to 2 years with the latest expiry date in June 2011 at a total monthly rent of approximately RMB276,882.	No commercial value
20.	2 properties leased by Dongguan Man Wah Furniture Co., Ltd. (東莞敏華家具有限公司) in Dongguan City and Foshan City, Guangzhou Province	The properties comprise 2 shops with a total floor area of approximately 772.11 sq.m. which are currently leased and occupied by Dongguan Man Wah Furniture Co., Ltd. (東莞敏華家具有限公司) for commercial use. The properties are subject to 2 tenancy agreements for the respective terms of 1 year and 4 years with the latest expiry date in August 2011 at a total monthly rent of approximately RMB61,619.	No commercial value

VALUATION CERTIFICATE

	Property	Description and tenure	Capital value in existing state as at 31 January 2010
21.	2 properties leased by Zhuhai Man Wah Furniture Co., Ltd. (珠海敏華家具有限公司) in Zhuhai City, Guangzhou Province	The properties comprise 2 shops with a total floor area of approximately 597 sq.m. which are currently leased and occupied by Zhuhai Man Wah Furniture Co., Ltd. (珠海敏華家具有限公司) for commercial use. The properties are subject to 2 tenancy agreements both for a term of 1 year with the latest expiry date in September 2010 at a total monthly rent of approximately RMB14,150.	No commercial value
22.	7 properties leased by Xi An Man Wah Furniture (西安名華軒家具有限公司) in Xian City and Xianyang City, Shanxi Province	The properties comprise 6 various shops, an office and a warehouse with a total floor area of approximately 3,072.63 sq.m. which are currently leased and occupied by Xi An Man Wah Furniture (西安名華軒家具有限公司) for commercial, office and warehouse uses. The properties are subject to 7 tenancy agreements for various terms of 1 year to 2 years with the latest expiry date in December 2010 at a total monthly rent of approximately RMB146,419.	No commercial value
23.	9 properties leased by Hangzhou Man Wah Furniture (杭州名華軒家具有限公司) in Hangzhou City, Zhejiang Province	The properties comprise 9 various shops with a total floor area of approximately 3,364.78 sq.m. which are currently leased and occupied by Hangzhou Man Wah Furniture (杭州名華軒家具有限公司) for commercial use. The properties are subject to 9 tenancy agreements for various terms of 1 to 2 years with the latest expiry date in February 2011 at a total monthly rent of approximately RMB324,116.	No commercial value
24.	3 properties leased by Dalian Man Wah Furniture Co., Ltd. (大連敏華家具有限公司) in Dalian City, Liaoning Province	The properties comprise 3 various shops with a total floor area of approximately 993.03 sq.m. which are currently leased and occupied by Dalian Man Wah Furniture Co., Ltd. (大連敏華家具有限公司) for commercial use. The properties are subject to 3 tenancy agreements all for a term of 1 year with the latest expiry date in September 2010 at a total monthly rent of approximately RMB63,845.	No commercial value
25.	1 property leased by Man Wah Industrial (Wujiang) Co., Ltd. (敏華實業(吳江)有限公司) in Wujiang City, Jiangsu Province	The property comprises a factory with a floor area of approximately 4,824 sq.m. which is currently leased and occupied by Man Wah Industrial (Wujiang) Co., Ltd. (敏華實業(吳江)有限公司) for industrial use. The property is subject to a tenancy agreement for a term of 2 years due to expire in May 2010 at a monthly rent of RMB28,944.	No commercial value
26.	2 properties leased by King Famous Bedding Manufacturing (Shenzhen) Co., Ltd. (金雅典床具製造(深圳)有限公司) in Shenzhen City, Guangdong Province	The properties comprise 2 factories with a total floor area of approximately 11,982 sq.m. which is currently leased and occupied by King Famous Bedding Manufacturing (Shenzhen) Co., Ltd. (金雅典床具製造(深圳)有限公司) for industrial use. The properties are subject to 2 tenancy agreements all for a term of 1 year due to expire in February 2011 at a monthly rent of RMB95,856.	No commercial value

VALUATION CERTIFICATE

Group VIII – Property interest leased by the Group in the United States

	Property	Description and tenure	Capital value in existing state as at 31 January 2010
27.	4 leased properties in the United States	The properties comprise 3 shops and a warehouse with a total floor area of approximately 50,040 sq.ft. which is currently leased and occupied by the Group for commercial and warehouse use respectively. The properties are subject to 4 tenancy agreements for respective terms of 1 year to 5 years with the latest tenancy due to expire in April 2013 at a total monthly rent of approximately United States Dollar 54,687.	No commercial value

1. MEMORANDUM OF ASSOCIATION

The Memorandum of Association states, inter alia, that the liability of members of the Company is limited to the amount, if any, for the time being unpaid on the shares held by the members and that the Company is an exempted company as defined in the Companies Act. The Memorandum of Association also sets out the objects for which the Company was formed, including acting as a holding and investment company, and its powers, including the powers set out in the First Schedule to the Companies Act. As an exempted company, the Company will be carrying on business outside Bermuda from a place of business in Bermuda.

In accordance with and subject to section 42A of the Companies Act, the Bye-laws of the Company empowers it to purchase its own shares and this power is exercisable by the Board upon such terms and subject to such conditions as it thinks fit.

2. BYE-LAWS

The Bye-laws of the Company were adopted on 5 March 2010. The following is a summary of certain provisions of the Bye-laws.

a. Shares

(i) Classes of Shares

The share capital of the Company consists of ordinary shares.

(ii) Share Certificates

Every certificate for shares, warrants or debentures or representing any other form of securities of the Company shall be issued under the seal of the Company, which for this purpose may be a securities seal. In relation to the use of the securities seal for sealing certificates for shares or other securities of the Company, no signature of any Director, officer or other person and no mechanical reproduction thereof shall be required on any such certificates or other document and any such certificates or other document to which such securities seal is affixed shall be valid and deemed to have been sealed and executed with the authority of the Board notwithstanding the absence of any such signature or mechanical reproduction as aforesaid.

The Company shall not be bound to register more than four persons as joint holders of any share.

b. Directors

(i) Power to allot and issue shares

Without prejudice to any special rights or restrictions for the time being attaching to any shares or any class of shares, any share may be issued upon such terms and conditions and with such preferred, deferred or other special rights, or such restrictions, whether as regards dividend, voting, return of capital or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination or so far as the same may not make specific provision, as the Board may determine) and any preference share may, subject to the Companies Act and with the sanction of a special resolution, be issued on terms that it is liable to be redeemed upon the happening of a specified event or upon a given date and either at the option of the Company or, if so authorised by the Memorandum of Association of the Company, at the option of the holder. The Board may, subject to the approval of the members in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as it may from time to time determine.

The Board may, subject to the approval by the members in general meeting, issue warrants to subscribe for any class of shares or securities of the Company on such terms as the Board may from time to time determine. Where warrants are issued to bearer, no certificate thereof shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original certificate thereof has been destroyed and the Company has received an indemnity in such form as the Board shall think fit with regard to the issue of any such replacement certificate.

Subject to the provisions of the Companies Act and the Bye-laws, and to the permission of the Bermuda Monetary Authority being obtained, all unissued shares in the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times, for such consideration and generally on such terms as it shall in its absolute discretion think fit, but so that no shares shall be issued at a discount.

(ii) Power to dispose of the assets of the Company or any subsidiary

There are no specific provisions in the Bye-laws relating to the disposal of the assets of the Company or any of its subsidiaries although the Board may exercise all powers and do all acts and things which may be exercised or done or approved by the Company and which are not required by the Bye-laws or the statutes to be exercised or done by the Company in general meeting.

(iii) Compensation or payments for loss of office

Payments to any Director or past Director of the Company of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must be approved by the Company in general meeting.

(iv) Loans to Directors

There are no provisions in the Bye-laws relating to the making of loans to Directors. However, the Companies Act contains restrictions on companies making loans to their directors, the relevant provisions of which are summarised in section 4(n) of this Appendix.

(v) Financial assistance to acquire shares of the Company

(aa) Subject, where applicable, to the rules of any relevant stock exchange, the Company may in accordance with an employees' share scheme approved by the members in general meeting provide money on such terms as the Board thinks fit for the acquisition of fully or partly paid shares in the Company or its holding company. An employees' share scheme is a scheme for encouraging or facilitating the holding of shares or debentures in the Company by or for the benefit of the bona fide employees or former employees (including, notwithstanding section 96 of the Companies Act, any such bona fide employee or former employee who is or was also a Director) of the Company, the Company's subsidiary or holding company or a subsidiary of the Company's holding company, or the wives, husbands, widows, widowers or children or step-children under the age of twenty-one of such employees or former employees;

(bb) Subject, where applicable, to the rules of any relevant stock exchange, the Company, the Company's subsidiary or holding company or a subsidiary of the Company's holding company may make loans to persons (including, notwithstanding section 96 of the Companies Act, any such bona fide employee or former employee who is or was also a Director) employed in good faith by the Company with a view to enabling those persons to acquire fully or partly paid shares in the Company or its holding company to be held by them by way of beneficial ownership; and

(cc) The conditions subject to which money and loans are provided may include a provision to the effect that when an employee ceases to be employed by the Company, the shares acquired with such financial assistance shall or may be sold to the Company or such other company on such terms as the Board thinks fit.

(vi) Disclosure of interests in contracts with the Company or any of its subsidiaries

Subject to the Companies Act, a Director may hold any other office or place of profit with the Company (except that of Auditor) in conjunction with his office of Director for such period and upon such terms as the Board may determine, and may be paid such extra remuneration therefor (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine. A Director of the Company may be or become a director or other officer of, or be otherwise interested in, any company promoted by the Company or any other company in which the Company may be interested, and shall not be liable to account to the Company or the members for any remuneration, profit or other benefit received by him as a director or officer of or from his interest in such other company. The Board may also cause the voting power conferred by the shares in any other company held or owned by the Company to be exercised in such manner in all respects as it thinks fit, including the exercise thereof in favour of any resolution appointing the Directors or any of them to be directors or officers of such other company, or voting or providing for the payment of remuneration to the directors or officers of such other company. A Director shall not vote or be counted in the quorum on any resolution of the Board concerning his own appointment as the holder of any office or place of profit with the Company or any other company in which the Company is interested (including the arrangement or variation of the terms thereof, or the termination thereof).

Subject to the provisions of the Companies Act and the Bye-laws, no Director or proposed or intended Director shall be disqualified by his office from contracting with the Company, either with regard to his tenure of any office or place of profit or as vendor, purchaser or in any other manner whatsoever, nor will any such contract or any other contract or arrangement in which any Director is in any way interested be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company or the members for any remuneration, profit or other benefits realised by any such contract or arrangement by reason of such Director holding that office or the fiduciary relationship thereby established. A Director who to his knowledge is in any way, whether directly or indirectly, interested in a contract or arrangement or proposed contract or arrangement with the Company must declare the nature of his interest at the meeting of the Board at which the question of entering into the contract or arrangement is first taken into consideration, if he knows his interest then exists, or in any other case at the first meeting of the Board after he knows that he is or has become so interested.

Save as otherwise provided by the Bye-laws, a Director shall not vote (nor shall he be counted in the quorum) on any resolution of the Board in respect of any contract or arrangement in which he or any of his associates has a material interest, and if he does so his vote shall not be counted, but this prohibition will not apply to any of the following matters namely:

(aa) any contract or arrangement for the giving by the Company of any security or indemnity to the Director or his associate(s) in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company and any of its subsidiaries;

(bb) any contract or arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or his associate(s) has himself/themselves assumed responsibility or guaranteed or secured in whole or in part whether solely or jointly;

(cc) any contract or arrangement concerning an offer of the shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or his associate(s) is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

(dd) any contract or arrangement in which the Director or his associate(s) is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company;

(ee) any contract or arrangement concerning any other company in which the Director or his associate(s) is/are interested only, whether directly or indirectly, as an officer or executive or member or in which the Director or his associate(s) is/are beneficially interested in shares of that company, provided that the Director and any of his associates are not in aggregate beneficially interested in five (5) per cent or more of the issued shares of any class of shares of such company (or of any third company through which his interest or that of his associates is derived) or of the voting rights;

(ff) any proposal or arrangement for the benefit of employees of the Company or its subsidiaries including the adoption, modification or operation of a pension fund or retirement, death or disability benefit scheme which relates both to Directors, his associate(s) and employees of the Company or any of its subsidiaries and does not give the Director or his associate(s), as such any privilege not generally accorded to the class of persons to whom such scheme or fund relates; and

(gg) any proposal or arrangement concerning the adoption, modification or operation of any employee's share scheme involving the issue or grant of options over shares or other securities by the Company to, or for the benefit of, the employees of the Company or its subsidiaries under which the Director or his associate(s) may benefit.

(vii) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as is from time to time determined by the Company in general meeting, such sum (unless otherwise directed by the resolution by which it is voted) to be divided amongst the Directors in such proportions and in such manner as the Board may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. The foregoing provisions shall not apply to a Director who holds any salaried employment or office in the Company except in the case of sums paid in respect of Directors' fees. The Directors shall also be entitled to be repaid all travelling, hotel and other expenses reasonably incurred by them respectively in or about the performance of their duties as Directors, including their expenses of travelling to and from board meetings, committee meetings or general meetings, or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors. The Board may grant special remuneration to any Director, who being called upon, performs any special or extra services to or at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be arranged. Notwithstanding the foregoing the remuneration of a managing director, joint managing director, deputy managing director or other executive director or a Director appointed to any other office in the management of the Company may be fixed from time to time by the Board and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including pension (and/or gratuity) and/or other benefits on retirement) and allowances as the Board may from time to time decide. Such remuneration is in addition to his remuneration as a Director.

The Board also has power to establish and maintain or procure the establishment and maintenance of any contributory or non-contributory pension or superannuation funds for the benefit of, or to give or procure the giving of donations, gratuities, pensions, allowances or emoluments to, any persons who are or were at any time in the employment or service of the Company, or of any company which is a subsidiary of the Company, or is allied or associated with the Company or with any such subsidiary company, or who are or were at any time Directors or officers of the Company or of any such other company as aforesaid, and holding or who have held any salaried employment or office in the Company or such other company, and the spouses, widows, widowers, families and dependents of any such persons and may make payments for or towards the insurance of any such persons. Any Director holding any such employment or office is entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

(viii) Retirement, appointment and removal

At each annual general meeting one-third of the Directors for the time being (or if their number is not three or a multiple of three, then the number nearest one-third) will retire from office by rotation. The Directors to retire in every year will be those who have been longest in office since their last election but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree between themselves) be determined by lot.

No person, other than a retiring Director, shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting, unless notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the registration office at least seven days before the date of the general meeting.

Directors of the Company are entitled to attend and speak at all general meetings.

The number of Directors shall not be less than two. A Director may be removed by an ordinary resolution of the Company before the expiration of his period of office (but without prejudice to any claim which such Director may have for damages for breach of any contract of service between him and the Company). The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director either to fill a casual vacancy or as an addition to the Board.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The Board may from time to time entrust to and confer upon a managing director, joint managing director, deputy managing director or executive director all or any of the powers of the Board that it may think fit provided that the exercise of all powers by such Director shall be subject to such regulations and restrictions as the Board may from time to time make and impose. The Board may delegate any of its powers to committees consisting of such member or members of its body and such other persons as the Board thinks fit, and it may from time to time revoke such delegation or revoke the appointment of and discharge any such committees either wholly or in part, and either as to persons or purposes, but every committee so formed shall in the exercise of the powers so delegated conform to any regulations that may from time to time be imposed upon it by the Board.

(ix) Borrowing powers

Subject to the provisions of the Companies Act, the Board may from time to time at its discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and uncalled capital or any part thereof. The Board may raise or secure the payment or repayment of such sum or sums in such manner and upon such terms and conditions in all respects as it thinks fit and in particular by the issue of debentures, debenture stock, bonds or other securities of the Company, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

c. Alterations to constitutional documents

The Memorandum of Association of the Company may, with the consent of the Minister of Finance of Bermuda (the "**Minister**") (if required), be altered by the Company in general meeting. The Bye-laws may be amended by the Directors subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution is required to alter the Memorandum of Association, to approve any amendment of the Bye-laws or to change the name of the Company.

d. Alterations of capital

The Company may from time to time by ordinary resolution:

(i) increase its share capital by the creation of new shares;

(ii) consolidate or divide all or any of its share capital into shares of larger amount than its existing shares; on any consolidation of fully paid shares into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may, as between the holders of the shares to be consolidated, determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Board for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares ratably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

(iii) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

(iv) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled;

(v) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the Companies Act, and so that the resolution whereby any shares is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares;

(vi) change the currency denomination of its share capital; and

(vii) subject to applicable regulatory requirements, make provision for the issue and allotment of shares which do not carry any voting rights.

The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account or other undistributable reserve in any manner authorised and subject to any conditions prescribed by law.

e. Variation of rights of existing shares or classes of shares

If at any time the capital is divided into different classes of shares, all or any of the special rights (unless otherwise provided for by the terms of issue of that class) attached to any class may, subject to the provisions of the Companies Act, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of the Bye-laws relating to general meetings will mutatis mutandis apply, but so that the necessary quorum is not less than two persons holding or representing by proxy one-third in nominal value of the issued shares of the class, and that any holder of shares of the class present in person or by proxy or by a duly authorised corporate representative may demand a poll.

f. Special resolutions – majority required

A special resolution of the Company must be passed by a majority of not less than three-fourths of the votes cast of such members as, being entitled so to do, vote in person or, where a corporate representative is allowed, by a duly authorised corporate representative or, where proxies are allowed, by proxy at a general meeting of which not less than 21 days' notice, specifying the intention to propose the resolution as a special resolution, has been duly given. However, if it is so agreed by a majority in number of the members having a right to attend and vote at such meeting, being a majority together holding not less than 95 per cent in nominal value of the shares giving that right, a resolution may be proposed and passed as a special resolution at a meeting of which less than 21 days' notice has been given.

g. Voting rights and right to demand a poll

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a show of hands every member who is present in person or by a duly authorised corporate representative or by proxy shall have one vote, and on a poll every member present in person or by a duly authorised corporate representative or by proxy, shall have one vote for every share of which he is the holder which is fully paid up or credited as fully paid (but so that no amount paid up or credited as paid up on a share in advance of calls or instalments is treated for the foregoing purposes as paid up on the share). On a poll, a member entitled to more than one vote need not use all his votes or cast all the votes in the same way.

At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands unless a poll is required by the Hong Kong Listing Rules or (before or on the declaration of the result of the show of hands or on the withdrawal of any other demand for a poll) demanded by (i) the Chairman of the meeting; or (ii) by at least three members present in person or by proxy or by a duly authorised corporate representative for the time being entitled to vote at the meeting; or (iii) by any member or members present in person or by proxy or by a duly authorised corporate representative and representing not less than one-tenth of the total voting rights of all the members having the right to vote at the meeting; or (iv) by a member or members present in person or by proxy or by a duly authorised corporate representative and holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

h. Requirements for annual general meetings

An annual general meeting must be held once in every year and within not more than fifteen months after the last preceding annual general meeting.

i. Accounts and audit

The Board shall cause true accounts to be kept of the sums of money received and expended by the Company, and the matters in respect of which such receipts and expenditure take place, and of the property, assets, credits and liabilities of the Company and of all other matters required by the Companies Act affecting the Company or necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions.

The books of account are to be kept at the head office or at such other place as the Board thinks fit and shall always be open to the inspection of the Directors provided that such records as are required by the Companies Act shall also be kept at the registered office. No member (not being a Director) or other person has any right to inspect any account or book or document of the Company except as conferred by the Companies Act or ordered by a court of competent jurisdiction or authorised by the Board or by the Company in general meeting.

The Board shall from time to time cause to be prepared and laid before the Company at its annual general meeting such profit and loss accounts, balance sheets, group accounts (if any) and reports as are required by the Companies Act. Every balance sheet of the Company shall be signed on behalf of the Board by two Directors and a copy of every balance sheet (including every document required by law to be comprised therein or attached or annexed thereto) and profit and loss account which is to be laid before the Company at its annual general meeting, together with a copy of the Directors' report and a copy of the auditors' report, shall not less than twenty-one days before the date of the meeting, be sent to every member of, and every holder of debentures of, the Company and every other person entitled to receive notices of general meetings of the Company under the Companies Act or of the Bye-laws. If all or any of the shares or debentures of the Company are for the time being (with the consent of the Company) listed or dealt in on any stock exchange, there shall be forwarded to the appropriate officer of such stock exchange such number of copies of such documents as may for the time being required under its regulations or practice.

Auditors shall be appointed and their duties regulated in accordance with the Companies Act. Subject as otherwise provided by such provisions the remuneration of the auditors shall be fixed by or on the authority of the Company at each annual general meeting, but in respect of any particular year, the Company in general meeting may delegate the fixing of such remuneration to the Board.

j. Notices of meetings and business to be conducted thereat

An annual general meeting and any special general meeting at which it is proposed to pass a special resolution must be called by twenty-one days' notice in writing at least and any other special general meeting shall be called by at least fourteen days' notice in writing (in each case exclusive of the day on which the notice is served or deemed to be served and of the day for which it is given). The notice shall specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business.

Any notice or document to be given to or by any person pursuant to these Bye-laws may be served on or delivered to any shareholder of the Company either personally or by sending it through the post in a prepaid envelope or wrapper addressed to such shareholder at his registered address as appearing in the register or by leaving it at that address addressed to the shareholder or by any other means authorised in writing by the shareholder concerned or (other than share certificates) by publishing it by way of advertisement in at least one English language newspaper and one Chinese language newspaper circulating generally in the Hong Kong. In case of joint holders of a share, all notices shall be given to that one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders. Without limiting the generality of the foregoing but subject to the applicable laws of Bermuda and any rules prescribed by The Stock Exchange of Hong Kong Limited from time to time, a notice or document may be served or delivered by the Company to any shareholder by electronic means to such address as may from time to time be authorised by the shareholder concerned or by publishing it on a computer network and notifying the shareholder concerned, in such manner as he may from time to time authorise, that it has been so published.

k. Transfer of shares

All transfers of shares must be effected by transfer in writing in the usual or common form or in any other form acceptable to the Board and may be under hand or by means of mechanically imprinted signatures or such other manner as the Board may from time to time approve. An instrument of transfer must be executed by or on behalf of the transferor and by or on behalf of the transferee and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect thereof.

The Board may, in its absolute discretion, at any time and from time to time transfer any share upon the principal register to any branch register or any share on any branch register to the principal register or any other branch register.

Unless the Board otherwise agrees, no shares on the principal register shall be transferred to any branch register nor shall shares on any branch register be transferred to the principal register or any other register. All transfers and other documents of title must be lodged for registration and registered, in the case of shares on a branch register, at the relevant registration office and, in the case of shares on the principal register, at the transfer office in Bermuda.

The Board may in its absolute discretion and without assigning any reason therefore, refuse to register any transfer of any shares (not being fully paid shares) to a person of whom it does not approve and it may refuse to register the transfer of any shares (not being fully paid shares) on which the Company has a lien. The Board may also refuse to register a transfer of shares (whether fully paid or not) in favour of more than four persons jointly. If the Board refuses to register a transfer, it will within two months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal.

The Board may decline to recognise any instrument of transfer unless a fee of such sum as the Stock Exchange may determine to be payable or such lesser sum as the Board may from time to time determine is paid to the Company in respect thereof has been paid, the shares are free of any lien in favour of the Company, the instrument of transfer is properly stamped, is in respect of only one class of share and is lodged at the relevant registration or transfer office accompanied by the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer (and if the instrument of transfer is executed by some other person on his behalf, the authority of that person so to do). Where applicable, the permission of the Bermuda Monetary Authority with respect thereto shall be obtained.

The registration of transfers may, on giving notice by advertisement in an appointed newspaper in Bermuda and in one or more newspapers circulating in Hong Kong, be suspended at such times and for such periods as the Board may from time to time determine and either generally or in respect of any class of shares. The register of members shall not be closed for more than thirty days in any year.

Fully paid Shares shall be free from any restriction with respect to the right of the holder thereof to transfer such Shares (except when permitted by the Stock Exchange) and shall also be free from all liens.

l. Power for the Company to purchase its own shares

The Bye-laws give the Board the power to determine the terms and conditions subject to which this power is to be exercised.

m. Power of any subsidiary of the Company to own shares in the Company

There are no provisions in the Bye-laws relating to ownership of the Company by a subsidiary.

n. Dividends and other methods of distribution

The Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends will be apportioned and paid pro rata according to the amounts paid or credited as paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No amount paid upon a share in advance of calls will for this purpose be treated as paid up on the shares. The Board may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Board may deduct from any dividend or bonus payable to any member all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared on the share capital of the Company, the Board may further resolve either (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up, provided that the members entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment, or (b) that the members entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Board may think fit. The Company may also upon the recommendation of the Board by a special resolution resolve in respect of any one particular dividend of the Company that it may be satisfied wholly in the form of an allotment of shares credited as fully paid up without offering any right to members to elect to receive such dividend in cash in lieu of such allotment.

Whenever the Board or the Company in general meeting has resolved that a dividend be paid or declared the Board may further resolve that such dividend be satisfied wholly or in part by the distribution of specific assets of any kind.

The Board may, if it thinks fit, receive from any member willing to advance the same, and either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any Shares held by him, and in respect of all or any of the moneys so advanced may pay interest at such rate (if any) not exceeding 20% per annum, as the Board may decide but a payment in advance of a call shall not entitle the member to receive any dividend or to exercise any other rights or privileges as a member in respect of the Share or the due portion of the Shares upon which payment has been advanced by such member before it is called up.

All dividends or bonuses unclaimed for one year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends or bonuses unclaimed for six years after having been declared may be forfeited by the Board and shall revert to the Company.

The Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on 2 consecutive occasions or after the first occasion on which such a cheque or warrant is returned undelivered.

o. Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company or a meeting of the holders of any class of shares in the Company is entitled to appoint another person as his proxy to attend and vote instead of him. Votes, whether on a show of hands or on a poll may be given either personally or by a duly authorised corporate representative or by proxy. A member holding two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of the Company.

The instrument appointing a proxy, shall be in writing under the hand of the appointor or of his attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

The instrument appointing a proxy to vote at a general meeting shall: (i) be deemed to confer authority upon the proxy to demand or join in demanding a poll and to vote on any resolution (or amendment thereto) put to the meeting for which it is given as the proxy thinks fit. Provided that any form issued to a member for use by him for appointing a proxy to attend and vote at a special general meeting or at an annual general meeting at which any business is to be transacted shall be such as to enable the member, according to his intentions, to instruct the proxy to vote in favour of or against (or, in default of instructions, to exercise his discretion in respect of) each resolution dealing with any such business; and (ii) unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates.

Where that member is a recognised clearing house within the meaning of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), it may appoint such person or persons as it thinks fit to act as its proxy or proxies or as its corporate representative or representatives, to the extent permitted by the Companies Act, at any members' general meeting or any meeting of any class of members provided that if more than one proxy or corporate representative is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy or corporate representative is to be appointed. The person so appointed will be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise as if it were an individual member of the Company including the right to vote individually on a show of hands. The number of persons a clearing house may appoint to act as its corporate representative or representatives shall not exceed the number of shares held by the clearing house (or its nominee), being shares in respect of which there is an entitlement to attend and vote at the relevant meeting.

In addition, a proxy or proxies representing either an individual member or a member which is a corporation, shall be entitled to exercise the same powers on behalf of the member which he or they represent as such member could exercise including the right to vote individually on a show of hands.

p. Calls on shares and forfeiture of shares

The Board may from time to time make such calls as it may think fit upon the members in respect of any monies unpaid on the shares held by them respectively (whether on account of the nominal value of the shares or by way of premium) and not by the conditions of allotment thereof made payable at fixed times. A call may be made payable either in one sum or by instalments. If the sum payable in respect of any call or instalment is not paid on or before the day appointed for payment thereof, the person or persons from whom the sum is due shall pay interest on the same at such rate not exceeding 20 per cent per annum as the Board shall fix from the day appointed for the payment thereof to the time of actual payment, but the Board may waive payment of such interest wholly or in part. The Board may, if it thinks fit, receive from any member willing to advance the same, either in money or money's worth, all or any part of the money uncalled and unpaid or instalments payable upon any shares held by him, and upon all or any of the monies so advanced the Company may pay interest at such rate (if any) not exceeding 20 per cent per annum as the Board may decide.

If a member fails to pay any call or instalment of a call on the day appointed for payment thereof, the Board may, at any time thereafter during such time as any part of the call or instalment remains unpaid, serve a notice on him requiring payment of so much of the call or instalment as is unpaid, together with any interest which may have accrued and which may still accrue up to the date of actual payment. The notice will name a further day (not earlier than the expiration of fourteen days from the date of the notice) on or before which the payment required by the notice is to be made, and it will also name the place where payment is to be made, such place being either the registered office of the Company, or some other place at which calls of the Company are usually made payable. The notice shall also state that, in the event of non-payment at or before the time appointed, the shares in respect of which the call was made will be liable to be forfeited.

If the requirements of any such notice are not complied with, any share in respect of which the notice has been given may at any time thereafter, before the payment required by the notice has been made, be forfeited by a resolution of the Board to that effect. Such forfeiture will include all dividends and bonuses declared in respect of the forfeited share and not actually paid before the forfeiture.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares but shall, notwithstanding, remain liable to pay to the Company all moneys which, at the date of forfeiture, were payable by him to the Company in respect of the shares together with (if the Board shall in its discretion so require) interest thereon from the date of forfeiture until payment at such rate not exceeding 20 per cent per annum as the Board may prescribe.

q. Inspection of register of members

There are no provisions in the Bye-laws relating to inspection of the register of members.

r. Quorum for meetings and separate class meetings

For all purposes the quorum for a general meeting shall be two members present in person or by a duly authorised corporate representative or by proxy and entitled to vote. In respect of a separate class meeting convened to sanction the modification of class rights, the necessary quorum shall not be less than two persons holding or representing by proxy or by a duly authorised corporate representative one-third in nominal value of the issued shares of that class.

s. Rights of the minorities in relation to fraud or oppression

There are no provisions in the Bye-laws relating to rights of minority members in relation to fraud or oppression. However, Bermuda company law provides for protection of minorities, as summarised in paragraph 4(o) of this Appendix.

t. Procedures on liquidation

A resolution that the Company be wound up by the court or be wound up voluntarily must be a special resolution.

If the Company shall be wound up, the surplus assets remaining after payment to all creditors are to be divided among the members in proportion to the capital paid up on the shares held by them respectively, and if such surplus assets shall be insufficient to repay the whole of the paid up capital, they are to be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up on the shares held by them respectively, all subject to the rights of any shares issued on special terms and conditions.

If the Company shall be wound up (whether the liquidation is voluntary or by the court) the liquidator may, with the sanction of a special resolution, divide among the members in specie or kind the whole or any part of the assets of the Company and whether the assets consist of property of one kind or consists of properties of different kinds and the liquidator may, for such purposes, set such value as he deems fair upon any one or more class or classes of property to be divided as aforesaid and may determine how such division is to be carried out as between the members or different classes of members and the members within each class. Under the

Companies Act the liquidator may, with the like sanction, vest any one or more class or classes of property and may determine how such division shall be carried out as between the members or different classes of members. Under the Companies Act, the liquidator may, with like sanction, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like sanction shall think fit, but so that no member shall be compelled to accept any shares or other assets upon which there is a liability.

u. Stock

The Company may by ordinary resolution convert any fully paid up shares into stock, and may from time to time by like resolution reconvert any stock into fully paid up shares of any denominations. The holders of stock may transfer the same or any part thereof in the same manner, and subject to the same regulations as and subject to which the shares from which the stock arose might prior to conversion have been transferred or as near thereto as circumstances admit, but the Board may from time to time, if it thinks fit, fix the minimum amount of stock transferable and restrict or forbid the transfer of fractions of that minimum, but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. No warrants to bearer shall be issued in respect of any stock. The holders of stock shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, participation in assets on a winding-up, voting at meetings and other matters, as if they held the shares from which the stock arose, but no such privilege of the Company shall be conferred by an amount of stock which would not, if existing in shares, have conferred such privilege or advantage. All such of the provisions of the Bye-laws as are applicable to paid up shares shall apply to stock, and the words "share" and "member" therein shall include "stock" and "stockholder".

v. Untraceable members

The Company shall have the power to sell, in such manner as the Board thinks fit, any shares of a member who is untraceable, but no such sale shall be made unless:

(i) all cheques or warrants, being not less than three in total number, for any sum payable in cash to the holder of such shares in respect of them sent during the relevant period in the manner authorised by the Bye-Laws of the Company have remained uncashed;

(ii) so far as it is aware at the end of the relevant period, the Company has not at any time during the relevant period received any indication of the existence of the member who is the holder of such shares or of a person entitled to such shares by death, bankruptcy or operation of law;

(iii) the Company has caused an advertisement to be inserted in the newspapers of its intention to sell such shares and a period of three months has elapsed since the date of such advertisement;

(iv) the Company has notified the Stock Exchange of its intention to effect such sale.

w. Other provisions

The Bye-laws provide that, subject to the Companies Act, if any of the rights attached to any warrants issued by the Company shall remain exercisable and the Company does any act which would result in the subscription price under such warrants being reduced below the par value of a share, a subscription right reserve shall be established and applied in paying up the difference between the subscription price and the par value of a share on any exercise of the warrants.

Note: The Companies Act prevents a company from giving financial assistance in the subscription of its shares (subject to certain exceptions). A subscription right reserve may only be created and used for the above purpose if an exception applies.

3. VARIATION OF MEMORANDUM OF ASSOCIATION AND BYE-LAWS

The Memorandum of Association of the Company may be altered by the Company in general meeting and if the Company intends to carry on any "restricted business activity" for the purposes of the Companies Act, the prior consent of the Minister will also be required. The Bye-laws may be amended by the Board subject to the approval of the Company in general meeting. The Bye-laws state that a special resolution shall be required to alter provisions of the Memorandum of Association, to approve any amendment of the Bye-laws or to change the name of the Company. For these purposes a resolution is a special resolution if it has been passed by a majority of not less than three-fourths of the votes cast of such members of the Company as, being entitled so to do, vote in person or, by a duly authorised corporate representative or, where permitted, by proxy at a general meeting of which not less than 21 days' notice specifying the intention to propose the resolution as a special resolution has been duly given. The requirement of 21 days' notice may be waived (a) in the case of a special general meeting, by a majority number of the members having the right to attend and vote at the relevant meeting, being a majority holding not less than 95 per cent. in nominal value of the shares giving that right; and (b) in the case of an annual general meeting, if it is so agreed by all members entitled to attend and vote thereat.

4. BERMUDIAN PROVISIONS

The summary does not purport to contain all applicable qualifications and exemptions and does not purport to be a complete review of all matters of Bermuda company law or a comparison of provisions that may differ from the laws of other jurisdictions, with which interested parties may be more familiar.

The company law of Bermuda is historically derived, for the most part, from the laws of England and is essentially embodied in the provisions of the Companies Act, most of which are drawn from the Companies Act 1948 of the United Kingdom, with certain reliance placed upon the laws of Ontario, Canada and, to some extent, upon the Companies Ordinance of Hong Kong. Other provisions are original Bermuda provisions endeavouring to cater to the specific circumstances of international business in Bermuda; these relate specifically to concepts not recognised in other jurisdictions (e.g. exempted as opposed to local companies) and contain particular emphasis on the restrictions imposed upon exempted companies with regard to what they may do in Bermuda as opposed to outside Bermuda from a place of business in Bermuda. The common law of England and Wales constitutes persuasive precedent and authority in the Bermuda courts.

a. Incorporation

The Company was incorporated by registration pursuant to the provisions of the Companies Act on 4 November 2004. The Company was brought into existence by depositing the Memorandum of Association with the Registrar of Companies in Bermuda (the "Registrar").

b. Constituent documents

The business activities of the Company will be governed by the provisions of its Memorandum of Association which sets out, in detail, its specific business objects, and the powers that may be exercised in support of its principal business objects. Bermuda law distinguishes between objects and powers, the latter of which are regarded as supplemental to the principal business objects of the Company.

The Companies Act provides that the objects set out in the different paragraphs of the objects clause in the Memorandum of Association shall not be limited or restricted in any way by reference to or inference from the terms of any other paragraph in the Memorandum of Association and such objects may be carried out in as full and ample a manner and construed in such a manner as if each paragraph defined the objects of a separate and independent company and each is construed as a primary object.

The Memorandum of Association may be altered under the provisions of the Companies Act and which alteration must also conform to Bermuda policy. It is required that the consent of the members of the Company in general meeting be given, following due notice of the intention of the meeting, before a Memorandum of Association may be altered. It is required that following the passage of a resolution of the members in general meeting approving the alteration, certain filings be made with the Registrar. Prior to taking formal steps in relation to the alteration of the Memorandum of Association, it will be necessary to obtain the Minister's consent if the Company carries on any "restricted business activity" within the definition of section 4A of the Companies Act.

The Bye-laws will govern the Company's administration and the relationship between its members and the Board of Directors. The Bye-laws are required, by Section 13 of the Companies Act, to make provision for a certain limited number of matters. It furthermore provides that certain additional matters may be included in the Bye-laws for the better regulation of the Company.

The members of the Company are entitled to receive copies of the Memorandum of Association and its Bye-laws upon request, which obligation is established by the provisions of the Companies Act. The Companies Act provides that all persons who agree to become members of the Company shall upon entry on the register of members, which shall include the branch register, be deemed to be members of the Company.

c. Taxation

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for a company to pay dividends. The Company is required to pay an annual government fee (the "Government Fee"), which is determined on a sliding scale by reference to a company's authorised share capital and share premium account, with the minimum fee being BD$1,995 and the maximum fee being BD$31,120 (the Bermuda dollar is treated at par with the U.S. dollar). The Government Fee is payable at the end of January in every year and is based on the authorised share capital and share premium account as they stood at the 31 August in the preceding year.

The Bermuda government has enacted legislation under which the Minister is authorised to give an assurance to an exempted company or a partnership that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entities or any of their operations. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the shares, debentures or other obligations of such entities. This assurance has been obtained by the Company for a period ending 28 March 2016.

d. Stamp Duty

The law relating to stamp duties has been fundamentally changed as a result of the enactment of certain legislation that came into force on the 1 April 1990. Stamp duty is no longer chargeable in respect of the incorporation, registration or licensing of an exempted company, nor, subject to certain minor exceptions, on their transactions. Accordingly, no stamp duty will be payable on the increase in or the issue or transfer of the share capital of the Company.

e. Prospectus issues and public offers

The Companies Act regulates the issue of shares by way of public offer. It requires that, before or as soon as reasonably practicable after an offer of shares to the public (defined in the case of an exempted company as, inter alia, an offer calculated to result directly or indirectly in the shares becoming available to more than thirty-five persons), the Company shall have first published, in writing, a prospectus signed by or on behalf of all the Directors and shall have filed a copy with the Registrar. It also requires that a certificate, signed by an attorney in Bermuda, be filed with the prospectus, certifying: (i) that the prospectus contains certain particulars required by the Companies Act and is accompanied by a written statement from the auditor of the Company wherein the auditor confirms his consent to the inclusion of his report in the prospectus to be issued by the Company; or (ii) that an appointed stock exchange or a competent regulatory authority has received or otherwise accepted the prospectus as a basis for offering shares to the public. The following are some of the stock exchanges or regulatory authorities approved by the Minister and designated as:

Appointed Stock Exchanges

The Alberta Stock Exchange

American Stock Exchange, Inc.

Australian Stock Exchange Ltd.

The Bermuda Stock Exchange

The Bolsa de Madrid

Boston Stock Exchange, Inc.

Bursa Malaysia Securities Berhad

Canadian Dealing Network

Canadian Venture Exchange

The Commission de Surveillance du Secteur Financier

Dubai International Financial Exchange

The Euro MTF Market

The Euronext Exchange

European Association of Security Dealers Automated Quotation S.A. (EASDAQ)

Frankfurt Stock Exchange

The Stock Exchange of Hong Kong Ltd.

The Irish Stock Exchange

JASDAQ Market

Societe de la Bourse de Luxembourg S.A.

Bourse de Montreal

National Association of Security Dealers Automated Quotations System (NASDAQ)

New York Stock Exchange, Inc.

New Zealand Stock Exchange

Nya Marknaden

Oslo BØrs

Paris Bourse

PLUS Markets

Sao Paulo Stock Exchange

Shanghai Stock Exchange

Singapore Exchange Securities Trading Limited

Specialist Fund Market

Stockholm Stock Exchange

Swiss Exchange

Tokyo Stock Exchange

The Toronto Stock Exchange

The TSX Venture Exchange

The Johannesburg Stock Exchange

Vancouver Stock Exchange

London Stock Exchange

Viennese Stock Exchange

London Stock Exchange – Alternative Investment Market (AIM)

Competent Regulatory Authorities

Australian Securities and Investments Commission

Austrian Federal Ministry of Finance

Bermuda Monetary Authority

The Commission de Surveillance du Secteur Financier

Dubai Financial Services Authority

Financial Services Authority

Hong Kong Securities and Futures Commission

Japanese Financial Services Agency and its delegate, the Kanto Local Finance Bureau of the Ministry of Finance of Japan

Luxembourg Commissariat aux Bourses

The Monetary Authority of Singapore

Ontario Securities Commission

Securities and Exchange Commission of Brazil

Securities Commission, Malaysia

Swiss Exchange

United States Securities and Exchange Commission

Accordingly, where an appointed stock exchange or any competent regulatory authority has received or otherwise accepted a prospectus as a basis for offering shares to the public, the Company need not comply with the requirements of the Companies Act as to the detailed content of the prospectus, nor set out the minimum subscription which must be raised by the issue of shares. If otherwise, then every prospectus shall contain particulars with regard to the minimum subscription which must be raised by the issue of shares in order to provide the sums, or, if any part thereof is to be defrayed in any other manner, the balance of the sums required to be provided, in respect of each of the following matters:

(i) the purchase price of any assets purchased or to be purchased which is to be defrayed in whole or in part out of the proceeds of the issue;

(ii) any preliminary expenses payable by the Company, and any commission so payable to any person in consideration of his agreeing to subscribe for, or if he is procuring or agreeing to procure subscriptions for, any shares in the Company;

(iii) the repayment of any monies borrowed by the Company in respect of any of the foregoing matters;

(iv) working capital; and

(v) the amount to be provided in respect of the matters aforesaid otherwise than out of the proceeds of the issue and the sources out of which those amounts are to be provided.

Furthermore where any company continuously over a period offers shares to the public, it shall, when any of the particulars in a prospectus issued by that company ceases to be accurate in a material respect, as soon as reasonably practicable, publish supplementary particulars, file a copy thereof with the Registrar as well as give a copy of the same to each member of the company.

The Companies Act provides for both criminal offences in relation to the making of an untrue statement in a prospectus and civil liability for misstatements in a prospectus.

f. Exchange control

Although incorporated in Bermuda, the Company has been classified as non-resident in Bermuda for exchange control purposes by the Bermuda Monetary Authority ("BMA"). Accordingly, the Company may convert currency (other than Bermudian currency) held for its account to any other currency without restriction.

Persons, firms or companies regarded as residents of Bermuda for exchange control purposes require specific consent under the Exchange Control Act 1972 of Bermuda, and regulations thereunder, to purchase or sell shares or warrants of the Company which are regarded as foreign currency securities by the BMA. Under the terms of the consent given to the Company by the BMA, the issue of shares and warrants up to the authorised share capital from time to time of the Company to and any transactions in issued shares and warrants between persons, firms or companies regarded as non-resident in Bermuda for exchange control purposes may be effected without further permission from that Authority.

In granting such permission, the BMA accepts no responsibility for the financial soundness of any proposals or for the correctness of any statements made or opinions expressed in this document with regard to them.

g. Share capital

The Companies Act provides for the giving of financial assistance by a company for the acquisition of its own or its holding company's shares in specific circumstances.

The Companies Act provides that where a company issues shares at a premium whether for cash or otherwise, a sum equal to the aggregate amount or value of the premium on those shares shall be transferred to an account, to be called "the share premium account" and the provisions of the Companies Act relating to a reduction of share capital of a company shall, except as provided in Section 40 of the Companies Act, apply as if the share premium account were paid up share capital of the company. An exception is made to this rule in the case of an exchange of shares where the excess value of the shares acquired over the nominal value of the shares being issued may be credited to a contributed surplus account of the issuing company. Contributed surplus is a North American concept recognised under the generally accepted accounting principles of the Canadian Institute of Chartered Accountants which accounting principles are applied in Bermuda.

The Companies Act permits a company to issue preference shares and under certain circumstances to convert those preference shares into redeemable preference shares.

h. Alteration of share capital

A company may if authorised by a general meeting of the members of the company and by its bye-laws, alter the conditions of its Memorandum of Association to increase its share capital, divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions, consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares, subdivide its shares or any of them into shares of a smaller amount than is fixed by the Memorandum of Association, make provision for the issue and allotment of shares which do not carry any voting rights, cancel shares which have not been taken or agreed to be taken by any person, diminish the amount of its share capital by the amount of the shares so cancelled and change the currency denomination of its share capital. With the exception of an increase of capital, cancellation of shares and redenomination of currency of capital, there are no filing requirements for any of the above-mentioned alterations.

Furthermore a company may, if authorised by a general meeting of the members, reduce its share capital. There are certain requirements, including a requirement prior to the reduction to publish a notice in an appointed newspaper stating the amount of the share capital as last determined by the company, the amount to which the share capital is to be reduced and the date on which the reduction is to have effect. The Companies Act provides that the Company shall not reduce the amount of its share capital if on the date the reduction is to be effected there are reasonable grounds for believing that the Company is, and after the reduction would be, unable to pay its liabilities as they become due.

The Companies Act includes certain protections for holders of special classes of shares requiring their consent to be obtained before their rights may be varied.

The Companies Act requires that as soon as practicable after the allotment of any of its shares a company must complete and have ready for delivery share certificates in relation to those shares allotted unless the conditions of issue of the shares otherwise provide. A certificate under the common seal of the company shall be prima facie evidence of the title of the member to the shares. The Companies Act prohibits bearer shares.

i. Purchase by the Company of its own shares

The Companies Act permits the Company, if authorised to do so by its Memorandum of Association or by its Bye-laws, to purchase its own shares. It should be noted that the Company is authorised by its Bye-laws, subject to certain approvals, to purchase its own shares. Such purchases may only be effected out of the capital paid up on the purchased shares, profits otherwise available for dividend (see "Dividends" below) or out of the proceeds of a new issue of shares made for the purpose. Any premium payable on a repurchase over the par value of the shares to be repurchased must be provided for out of the profits otherwise available for dividends, out of the Company's share premium account, or out of contributed surplus. A purchase by the Company of its own shares may be authorised by its Board of Directors or otherwise by or in accordance with the provisions of its Bye-laws. Further, the consideration payable to a member whose shares are repurchased may be satisfied by cash and/or the transfer of any part of the undertaking or property of the Company or a combination of the foregoing.

The Companies Act provides that no purchase by the Company of its own shares may be effected if, on the date on which the purchase is to be effected, there are reasonable grounds for believing that the Company is, or after the purchase would be, unable to pay its liabilities as they become due.

The shares purchased pursuant to the Companies Act shall be treated as cancelled and the amount of the Company's issued capital shall be diminished by the nominal amount of those shares accordingly. It shall not be taken as reducing the amount of the Company's authorised share capital.

The Company is not prevented from purchasing and may purchase its own warrants. There is no requirement of Bermuda law that the Memorandum of Association or the Bye-laws contain a specific enabling provision authorising any such purchase and the Directors may rely upon the general power to buy and sell and deal in personal property of all kinds.

A company has power to hold and purchase shares of its holding company. A distinction must be drawn between the purchase of shares in the holding company by the holding company itself and the purchase by a subsidiary. A holding company can only purchase its own shares in accordance with the provisions referred to above. When a subsidiary acquires shares in its holding company, the shares, once purchased, may be voted by the subsidiary for its own benefit.

j. Transfer of securities

Title to securities of companies whose securities are traded or listed on an appointed stock exchange may, only with effect from the coming into operation of regulations made by the Minister, be evidenced and transferred without a written instrument either in accordance with regulations made by the Minister or by a person appointed by the Minister ie. through the mechanism required or permitted by an appointed stock exchange.

k. Dividends and distributions

The Companies Act provides that a company shall not declare or pay a dividend or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they became due; or (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

Contributed surplus for these purposes is defined as including proceeds arising from donated shares, credits resulting from the redemption or conversion of shares at less than the amount set up as nominal capital, the excess value of shares acquired over those issued in a share exchange should the Board elect to treat it as such and donations of cash and other assets to the company.

l. Charges on the assets of the Company

The Companies Act established a register of charges at the office of the Registrar permitting any charges on the assets of a company to be registered. Registration is not mandatory but does govern priority in Bermuda, giving a registered charge priority over any subsequently registered charge and over all unregistered charges save those in effect prior to the coming into effect of the Companies Act in July of 1983. The register of charges is available for inspection by members of the public. The Companies Act also makes provision for the registration of a series of debentures.

m. Management and administration

The management and administration of a Bermuda company is essentially governed by Part VI of the Companies Act and provides that the management and administration of a Bermuda company shall be vested in the hands of not less than two directors duly elected by the members.

The Companies Act requires that a Bermuda company maintains either:

(a) a director who must be an individual and is ordinarily resident in Bermuda; or

(b) a secretary that can be an individual who, or a company which, is ordinarily resident in Bermuda; or

(c) a resident representative that can be an individual who, or a company which, is ordinarily resident in Bermuda.

Exempted companies, the shares of which are listed on an appointed stock exchange, may appoint a resident representative in Bermuda in place of the other Bermuda resident officers, who or which may be either an individual or a corporate entity, whose statutory rights, duties and obligations are established by the Companies Act.

The Companies Act contains no specific restrictions on the power of the Directors to resolve to dispose of assets of a company although it specifically requires that every officer (which includes a director and managing director and secretary) of a company, in exercising his powers and discharging his duties, shall act honestly and in good faith with a view to the best interests of the company and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Furthermore it requires that every officer should comply with the Companies Act, regulations passed pursuant to the Companies Act and the Bye-laws.

n. Loans to Directors

The Companies Act prohibits the making of loans by the Company to any of its Directors or to their families or companies in which they hold a 20 per cent interest, without the consent of members of the Company holding in the aggregate not less than nine-tenths of the total voting rights of all members having the right to vote at any meeting of the members of the Company. These prohibitions do not apply to anything done to provide a Director with funds to meet expenditure incurred or to be incurred by him for the purposes of the Company, provided that the Company gives its prior approval at a general meeting or, if not, the loan is made on condition that it shall be repaid within six months of the next annual general meeting if the loan is not approved at such meeting. If the approval of the Company is not given for a loan, the Directors who authorised it will be jointly and severally liable for any loss arising.

o. The investigation of the affairs of a company and the protection of minorities

The Companies Act makes specific provision with regard to the foregoing and provides that the Minister may, at any time of his own volition, appoint one or more inspectors to investigate the affairs of an exempted company and to report thereon in such manner as he may direct. The Companies Act requires that such an investigation be made in private unless the company requests that it be held in public. Furthermore any member of a company who complains that the affairs of the company are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members, including himself, or where a report has been made to the Minister under the foregoing, the Registrar on behalf of the Minister, may make an application to the court by petition for an order that the company's affairs are being conducted or have been conducted in a manner oppressive or prejudicial to the interests of some part of the members and that to wind up the company would unfairly prejudice that part of the members but otherwise the facts would justify the making of a winding up order on the ground that it would be just and equitable that the company should be wound up. If the court is of this opinion, then it may, with a view to bringing to an end the matters complained of, make such order as it thinks fit whether for regulating the conduct of the company's affairs in future or for the purchase of shares of any members of the company by other members of the company or by the company and in the case of a purchase by the company, for the reduction accordingly of the company's capital, or otherwise.

Class actions and derivative actions are generally not available to members under the laws of Bermuda; however, the Bermuda courts ordinarily would expect to follow English case law precedent which would permit a member to commence an action in the name of the company to remedy a wrong done to the company where the act complained of is alleged to be beyond the corporate power of the company or is illegal or would result in the violation of a company's Memorandum of Association and bye-laws. Furthermore consideration would be given by the court to acts that are alleged to constitute a fraud against the minority members or, for instance, where an act requires the approval of a greater percentage of the company's members than that which actually approved it.

In addition to the above, members may be able to bring claims against a company; such claims must, however, be based on the general laws of contract or tort applicable in Bermuda.

A statutory right of action is conferred on subscribers to shares of a company against persons (including directors and officers) responsible for the issue of a prospectus in respect of damage suffered by reason of an untrue statement therein (see above) but this confers no right of action against the company itself. In addition, the company itself (as opposed to its members) may take action against the officers (including directors) for breach of their statutory and fiduciary duty to act honestly and in good faith with a view to the best interests of the company (as mentioned above). Furthermore, a subscriber is not debarred from obtaining damages or other compensation from the Company by reason only of his holding or having held shares in the Company or any right to apply or subscribe for shares or to be included in the Company's register of members in respect of shares.

p. Inspection of corporate records

Members of the general public have the right to inspect the public documents of the Company available at the office of the Registrar which will include the Company's

Certificate of Incorporation, its Memorandum of Association (including its objects and powers) and any alteration to the Memorandum of Association and documents relating to an increase or reduction of authorised capital. The members have the additional right to inspect the Bye-laws, minutes of general (i.e. members') meetings and audited financial statements of the Company, which must be presented to the Annual General Meeting of members. The Company is required to maintain its share register in Bermuda but may establish a branch register outside Bermuda. The register of members of the Company and any branch register are also open to inspection by members without charge, and to general members of the public for a fee. The Companies Act stipulates that where a member of the Company or other person requests a copy of the register of members or branch register of members, this must be provided within 14 days of the request. The Company is required to keep at its registered office a register of its Directors and Officers which is open for inspection by members of the public without charge. Bermuda law does not, however, provide a general right for members to inspect or obtain copies of any other corporate records.

q. Restrictions on the activities of exempted companies

Unless specifically authorised by its Memorandum of Association, an exempted company shall not be permitted to:

(i) acquire or hold land in Bermuda except land required for its business held by way of a lease or tenancy agreement for a term not exceeding fifty years;

(ii) take any mortgage of land in Bermuda (subject to certain exceptions); and

(iii) acquire any bonds or debentures secured on any land in Bermuda except bonds or debentures issued by the Government or a public authority in Bermuda.

Exempted companies are specifically permitted to carry on business with persons outside Bermuda or to do business in Bermuda with an exempted company in furtherance only of the business of the exempted company carried on exterior to Bermuda. It may buy, sell or otherwise deal in shares, bonds, debenture stock obligations, mortgages or other securities issued or created by an exempted undertaking or a local company or any partnership which is not an exempted undertaking. It may transact banking business with a bank licensed in Bermuda. It may effect or conclude contracts in Bermuda and exercise in Bermuda all other powers so far as may be necessary for carrying on its business with persons outside Bermuda. It may act as manager or agent for or consultant or advisor to the business of another exempted company, provided that the company has an object in its Memorandum of Association to enable it to carry on such type of business.

The Company has been incorporated as an "exempted company". Accordingly the Company is authorised to carry on business outside Bermuda from a place of business in Bermuda but may not, without a specific licence granted by the Minister, conduct business within Bermuda. The Company is, therefore, permitted to establish a place of business in Bermuda in order to conduct business outside Bermuda or with other exempted companies in Bermuda. However, it may not engage in trading or other business activities (e.g. the provision of services) in Bermuda. Furthermore, as an exempted company, the Company has been designated as "non resident" for exchange control purposes and is authorised to deal in any currency of its choosing, other than Bermuda dollars.

The Company will, under the provisions of the Companies Act, be required to file in January of every year a declaration in writing stating what is the principal business of the Company and to pay the Government Fee.

r. Accounting and auditing requirements under the Companies Act

The Companies Act requires that a company shall cause to be kept proper records of account with respect to:

(i) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure take place;

(ii) all sales and purchases of goods by the company; and

(iii) the assets and liabilities of the company.

It furthermore requires that the records of account shall be kept at the registered office of the Company or at such other place as the Directors think fit and shall at all times be open to inspection by the Directors or by a resident representative. The Companies Act also requires that, these records of account also be maintained at the office of the resident representative where the Company is listed on an appointed stock exchange and the Company has appointed a resident representative. There is a proviso in the Companies Act to the effect that if the records of account are kept at some place outside Bermuda, there shall be kept at an office of the Company in Bermuda such records as will enable the Directors or the resident representative to ascertain with reasonable accuracy the financial position of the Company at the end of each three month period (or each six month period, where the Company is listed on an appointed stock exchange). Power is vested in the courts of Bermuda to order the Company to make available the records of account to any of the Directors of the Company should the Company for some reason refuse to do so. Furthermore, the Companies Act imposes a fine in the event of failure to comply with the aforementioned requirements which fine is limited to the sum of BD$500.00 (approximately equivalent in value to US$500.00), for the time being.

s. Auditing requirements

The Companies Act requires that the board of every company shall, at least once in every year, lay before the company in general meeting:

(i) financial statements for the period, which shall include:

(aa) a statement of the results of operations for such period;

(bb) a statement of retained earnings or deficits;

(cc) a balance sheet at the end of such period;

(dd) a statement of changes in the financial position for the period;

(ee) notes to the financial statements;

(ff) such further information as required by the Companies Act and the company's Memorandum of Association and its bye-laws;

(ii) the report of the auditor in respect of the financial statements described above based upon the results of the audit made in accordance with generally accepted accounting principles; and

(iii) the notes referred to in paragraph (ee) above shall include a description of the generally accepted accounting principles used in the preparation of the financial statements and where the accounting principles used are those of a country or jurisdiction other than Bermuda the notes shall disclose this fact and shall name the country or jurisdiction.

Financial Statements to be laid before the members in general meeting shall be signed on the balance sheet by two of the directors of the company.

If for some reason it becomes impossible, for reasons beyond the reasonable control of the directors, to lay the financial statements before the members, it shall be lawful for the Chairman to adjourn the meeting for a period of up to ninety days or such longer period as the members may agree.

All members of a company are entitled to receive a copy of the financial statements prepared in accordance with the aforementioned requirements, at least seven days before the general meeting of the company at which the financial statements would be tabled.

The Companies Act also provides that companies listed on an appointed stock exchange may send summarised financial statements instead of the unabridged financial statements mentioned above. Each member can elect to receive unabridged financial statements for that period and/or any subsequent period. The summarised financial statements together with auditors report and notice to elect to receive the unabridged financial statements must be sent to members twenty-one days before the general meeting. A company shall send the full financial statements to a member within seven days of receipt of the member's election to receive the full financial statements.

The summarised financial statements must be derived from the company's financial statements and shall include:

(a) a summarised report of the unabridged financial statements;

(b) such further information extracted from the financial statements as the board of directors considers appropriate; and

(c) a statement that it is only a summarised version of the company's financial statements and does not contain sufficient information to allow as full an understanding of the financial position, results of operations or changes in financial position or cash flows of the company as would be provided by unabridged financial statements.

There are certain exceptions in the case of members not entitled to receive notices of general meetings, joint holders of shares or where the address for a person is not known to the company.

The Companies Act also makes provision vesting power in the members in general meeting to waive the laying of the financial statements and auditors' report and to waive the appointment of an auditor. In order to do so it is required that all members and directors of the company agree either in writing or at a general meeting, that in respect of a particular interval no financial statement or auditors' report thereon need be laid before a general meeting.

The Companies Act contains specific requirements in Section 89 in relation to the appointment and disqualification of an auditor.

By way of general reference, the provisions of Sections 83, 84, 87, 88, 89 and 90 govern the preparation and maintenance of accounting records and audited financial statements.

t. Continuation and discontinuation of companies

(i) A company incorporated outside Bermuda may be continued in Bermuda as an exempted company to which the provisions of the Companies Act and any other relevant laws of Bermuda may apply. The consent of the Minister will be required if the Company's Memorandum of Continuance includes special objects enabling it to carry on any "restricted business activity" within the definition of section 4A of the Companies Act; and

(ii) An exempted company may be continued in a country or jurisdiction outside Bermuda as if it had been incorporated under the laws of that other jurisdiction and be discontinued under the Companies Act, provided that, inter alia, it is an appointed jurisdiction pursuant to the Companies Act, or has been approved by the Minister, upon application by the Company for the purpose of the discontinuance of the Company out of Bermuda.

u. Winding-up and liquidation provisions of Bermuda legislation

(i) Introduction:

The winding-up of Bermuda companies is governed by the provisions of the Companies Act and by the Companies (Winding-Up) Rules 1982 (the "Rules") and may be divided into the following two types:

(aa) Voluntary winding-up which commences with the members' resolution or upon the happening of a specified event (fixed or limited life company) and which itself can be sub-divided into a members' voluntary winding-up and a creditors' voluntary winding-up; and

(bb) Compulsory winding-up, by petition presented to the courts of Bermuda followed by winding-up order.

(ii) Voluntary winding-up:

(aa) *Members' voluntary winding-up* – A members' voluntary winding-up is only possible if a company is solvent. A Statutory Declaration of Solvency to the effect that a company is able to meet its debts within 12 months from the date of the commencement of its winding-up is sworn by a majority of the company's directors and filed with the Registrar.

A general meeting of members is then convened which resolves that the company be wound-up voluntarily and that a liquidator (responsible for collecting in the assets of the company, determining its liabilities and distributing its assets amongst its creditors and the surplus to the members) be appointed.

Once the affairs of the company are fully wound-up the liquidator prepares a full account of the liquidation which he then presents to the company's members at a special general meeting called for that purpose. This special general meeting must be advertised in an appointed newspaper in Bermuda at least one month before it is held. Within one week after this special general meeting is held, the liquidator shall notify the Registrar that the company has been dissolved.

(bb) *Creditors' voluntary winding-up* – A creditors' voluntary winding-up may occur where a company is insolvent and a Declaration of Solvency cannot be sworn.

A board meeting is convened which resolves to recommend to the members of the company that the company be placed into a creditors' voluntary winding-up. This recommendation is then considered and, if thought fit, approved at a special general meeting of the company's members and, subsequently, at a meeting of the company's creditors.

Notice of the creditors' meeting must appear in an appointed newspaper on at least two occasions and the Directors must provide this meeting with a list of the company's creditors and a full report of the position of the company's affairs.

At their respective meetings, the creditors and members are entitled to nominate a person or persons to serve as liquidator(s) and whose responsibilities include collecting in the assets of the company, ascertaining its liabilities and distributing its assets ratably amongst its creditors in accordance with their proofs of debt. In addition to the liquidator, the creditors are entitled to appoint a Committee of Inspection which, under Bermuda law, is a representative body of creditors who assist the liquidator during the liquidation.

As soon as the affairs of the company are fully wound-up, the liquidator prepares his final account explaining the liquidation of the company and the distribution of its assets which he then presents to the company's members in a special general meeting and to the company's creditors in a meeting. Within one week after the last of these meetings, the liquidator sends a copy of the account to the Registrar who proceeds to register it in the appropriate public records and the company is deemed dissolved three months after the registration of this account.

(iii) Compulsory winding-up:

The courts of Bermuda may wind-up a Bermuda company on a petition presented by persons specified in the Companies Act and which include the company itself and any creditor or creditors of the company (including contingent or prospective creditors) and any member or members of the company.

Any such petition must state the grounds upon which the Bermuda court has been asked to wind-up the company and may include either one of the following:

(aa) that the company has by resolution resolved that it be wound-up by the Bermuda court;

(bb) that the company is unable to pay its debts;

(cc) that the Bermuda court is of the opinion that it is just and equitable that the company be wound-up.

The winding-up petition seeks a winding-up order and may include a request for the appointment of a provisional liquidator.

Prior to the Winding-up Order being granted and the appointment of the provisional liquidator, (who under Bermuda law, may or may not be the Official Receiver – a government appointed officer) an interim provisional liquidator may be appointed to administer the affairs of the company with a view to its winding-up until he is relieved of these duties by the appointment of the provisional liquidator. (Often, the interim provisional liquidator is appointed the provisional liquidator).

As soon as the Winding-up Order has been made, the provisional liquidator summons separate meetings of the company's creditors and members in order to determine whether or not he should serve as the permanent liquidator or be replaced by some other person who will serve as the permanent liquidator and also to determine whether or not a Committee of Inspection should be appointed and, if appointed, the members of that Committee. The provisional liquidator notifies the Court of the decisions made at these meetings and the Court makes the appropriate orders.

A permanent liquidator's powers are prescribed by the Companies Act and include the power to bring or defend actions or other legal proceedings in the name and on behalf of the company and the power to carry on the business so far as may be necessary for the beneficial winding-up of the company. His primary role and duties are the same as a liquidator in a creditors' voluntary winding-up i.e. to distribute the company's assets ratably amongst its creditors whose debts have been admitted.

As soon as the affairs have been completely wound-up, the liquidator applies to the courts of Bermuda for an order that the company be dissolved and the company is deemed dissolved from the date of this order being made.

v. General

Appleby, the Company's legal advisers on Bermuda law, have sent to the Company a letter of advice summarising aspects of Bermuda company law. This letter, together with a copy of the Companies Act, is available for inspection as referred to Appendix VII. Any person wishing to have a detailed summary of Bermuda company law or advice on the differences between it and the laws of any jurisdiction with which he is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT US

1. Incorporation

Our Company was incorporated as an exempted company in Bermuda with limited liability under the Companies Act on 4 November 2004. Our Company's registered office is situated at Canon's Court, 22 Victoria, Street, Hamilton, HM12, Bermuda. Our Company has established, and registered as an overseas company under Part XI of the Companies Ordinance and our principal place of business in Hong Kong at 1/F., Wah Lai Industrial Center, 10-14 Kwei Tei Street, Fotan, New Territories, Hong Kong. Mr. Wong Man Li has been appointed as our authorised representative for acceptance of service of process and notice in Hong Kong. Mr. Wong's address for acceptance of service of process in Hong Kong is 1/F., Wah Lai Industrial Center, 10-14 Kwei Tei Street, Fotan, New Territories, Hong Kong.

As our Company was incorporated in Bermuda, our corporate structure and operation is subject to the laws of Bermuda and our constitutive documents which comprise the Memorandum of Association and the Bye-laws. A summary of certain parts of our constitution and relevant aspects of the Bermuda company law is set out in the section entitled "Summary of the Constitution of our Company and Bermuda Company Law" in Appendix V to this prospectus.

2. Changes in share capital of our Company

As at the date of our incorporation, the authorised share capital of our Company was HK$100,000 divided into 1,000,000 shares of par value of HK$0.10 each, all of which were subsequently allotted and issued nil paid to Man Wah Investments. The following sets out the changes in our Company's share capital since the date of our incorporation:

(a) On 26 April 2005, the Company:

(i) increased its authorised share capital from 1,000,000 ordinary shares of HK$0.10 each to 5,000,000,000 ordinary shares of HK$0.10 each by the creation of an additional 4,999,000,000 new ordinary shares of HK$0.10 each;

(ii) acquired from Man Wah Investments the entire issued and paid up capital in Man Wah Group for a consideration of HK$87,040,000 which appropriate the net carrying value of the net tangible asset of Man Wah Industrial and subsidiaries as at 30 September 2004. The purchase consideration for acquiring Man Wah Group was satisfied by the issue of 869,400,000 ordinary shares of HK$0.10 each and credited as fully paid up the 1,000,000 then existing nil paid shares of HK$0.10 each in the Company to Man Wah Investments.

(b) On 26 April 2005, the then sole Shareholder of our Company approved, inter alia, the following by way of written resolutions:

(i) the consolidation of 4 ordinary shares of HK$0.10 each in the authorised and issued share capital of the Company into 1 ordinary share of HK$0.40;

(ii) the issue of 72,500,000 new ordinary shares of HK$0.40 each in connection with the Company's listing on the SGX-ST.

(c) On 16 June 2005, the Company was admitted to the official list of the SGX-ST. In connection with the Company's listing on the SGX-ST, the Company raised S$16,675,000 (approximately HK$93,513,400) in gross proceeds.

(d) On 19 April 2006, the Company completed a placement of 43,000,000 new ordinary shares of HK$0.40 each at S$0.56 (approximately HK$3.14) per share. The issued share capital of the Company was thereby increased from HK$116,040,000 to HK$133,240,000.

(e) On 27 February 2008, the Company completed a bonus issue whereby 333,100,000 new ordinary shares of HK$0.40 were allotted and issued on the basis of one bonus share for every one ordinary share then in issue. The issued share capital of the Company was thereby increased from HK$133,240,000 to HK$266,480,000.

(f) By way of a distribution in specie effected by Alina on 27 November 2009 of the entire issued share capital that Alina held in our Company, all the then shareholders of Alina became our direct Shareholders in proportion to their then shareholdings in Alina.

(g) On 7 December 2009, the Company issued an additional 57,616,000 shares of HK$0.40 each with 40,331,000 shares issued to Man Wah Investments and 17,285,000 shares issued to Weston International. The said shares were credited as fully paid up in consideration of the transfer by Man Wah Far East and Weston International of all equity interests in Famous Bedding to Man Wah Group, one of our subsidiaries.

Further details of the Reorganisation were set out under paragraph 4 entitled "Reorganisation" below.

Save as aforesaid and those mentioned under paragraph 3 entitled "Written resolutions of all our Shareholders passed on 5 March 2010" and paragraph 4 entitled "Reorganisation" below, there has been no alteration in our Company's share capital since the incorporation of our Company.

3. *Written resolutions of all our Shareholders passed on 5 March 2010*

Pursuant to the written resolutions of all the Shareholders of our Company passed on 5 March 2010:

(a) conditional upon the conditions for completion of the Global offering set forth in the section entitled "Structure of the Global Offering" in the prospectus being fulfilled or waived:

(i) the Global Offering was approved and our Directors were authorised to determine the issue price for, and to approve the issue price for and the issue and allotment of the Offer Shares pursuant to the Global Offering;

(ii) the proposed grant of the Over-allotment Option by our Company to the International Underwriters, exercisable by the Sole Global Coordinator on behalf of the International Underwriters, to require (aa) our Company to issue and allot up to and not more than an aggregate of 15% of the total new Shares offered under the Global Offering and (bb) Mr. Li Chun Hui, one of the Selling Shareholders, to sell up to an aggregate of 15% of the total Sale Shares initially being offered under the Global Offering to, among others, cover the over-allocations in the International Offering at the Offer Price was approved;

(iii) conditional further upon the Listing Committee granting approval of the rules of the Share Option Scheme and the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of any options granted under the Share Option Scheme, the rules of the Share Option Scheme was approved and adopted and our Directors or any committee thereof established by the Board were authorised to (i) modify or amend the Share Option Scheme as may be required by the Hong Kong Stock Exchange and which they deem necessary and/or desirable; (ii) grant options to subscribe for Shares under the Share Option Scheme up to the limits referred to in the Share Option Scheme; (iii) allot, issue and deal with the Shares pursuant to the exercise of any option which may be granted under the Share Option Scheme; and (iv) take all such actions as they consider necessary, desirable or expedient to implement or give effect to the Share Option Scheme subject to the conditions therein;

(iv) the adoption of the Bye-laws, the terms of which are summarised in Appendix V to this prospectus;

(b) a general unconditional mandate was given to our Directors to exercise all the powers of our Company to allot, issue and deal with including the power to make an offer or agreement, or grant securities which would or might require Shares to be allotted and issued, unissued shares in the capital of our Company (otherwise than pursuant to, or in consequence of a rights issue or the exercise of any subscription rights under the Share Option Scheme or pursuant to any scrip dividend scheme or similar arrangements providing for the allotment and issue of Shares in lien of the whole or part of a dividend on Shares in accordance with the Bye-laws or pursuant to the grant of options under the Share Option Scheme or other similar arrangement or pursuant to a specific authority, granted by our Shareholders) with an aggregate nominal value of not more than the sum of 20% of the aggregate nominal value of our share capital in issue following the completion of the Global Offering but before any exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme; and the aggregate nominal value of our share capital repurchased (if any). Such mandate will expire:

(i) at the conclusion of our next annual general meeting;

(ii) the expiration of the period within which the next annual general meeting is required by the Memorandum of Association, Bye-laws or any applicable law of Bermuda to be held; or

(iii) the passing of an ordinary resolution of our Shareholders in a general meeting revoking or varying such mandate, whichever occurs first.

(c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to repurchase Shares on the Hong Kong Stock Exchange, or on any other stock exchange on which our securities may be listed and which is recognised by the SFC and the Hong Kong Stock Exchange for this purpose, with an aggregate nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering but before any exercise of the Over-allotment Option as mentioned herein or any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme. Such mandate will expire whichever is the earliest of:

(i) at the conclusion of our next annual general meeting;

(ii) the expiration of the period within which our next annual general meeting of our Company is required to be held by the Bye-laws or any applicable law of Bermuda; or

(iii) the passing of an ordinary resolution by our Shareholders in a general meeting revoking or varying the authority given to the Directors by such resolution; and

(d) the extension of the general mandate to allot, issue and deal with Shares as mentioned in sub-paragraph (b) by the addition to the aggregate nominal value of our share capital which may be allotted and issued or agreed (conditionally or unconditionally) to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of our share capital repurchased by us pursuant to sub-paragraph (c) above, provided that such extended amount shall not exceed 10% of the aggregate of the total nominal value of our share capital in issue immediately following the Global Offering but before any exercise of the Over-allotment Option or any Shares which may be allotted and issued pursuant to the exercise of the options under the Share Option Scheme.

Immediately following the Global Offering becoming unconditional and the issue of Shares as mentioned herein being made, but taking no account of any Shares which may be issued upon the exercise of the Over-allotment Option and any options that maybe granted pursuant to the Share Option Scheme, the authorised share capital of our Company will be HK$500 million divided into 1.25 billion Shares and the issued share capital will be HK$386,035,200 divided into 965,088,000 Shares, all fully paid or credited as fully paid and 284,912,000 Shares will remain unissued. Other than pursuant to the exercise of the Over-allotment Option and any options which may be granted pursuant to the Share Option Scheme, there is no present intention to issue any of our authorised but unissued share capital and no issue of Shares which would effectively alter the control of our Company will be made without the prior approval of our Shareholders in a general meeting.

4. *Reorganisation*

The companies in our Group underwent the Reorganisation in preparation for the listing of the Shares on the Hong Kong Stock Exchange which involved the following:

(a) by way of a distribution in specie effected by Alina on 27 November 2009 of the entire issued share capital that Alina held in our Company, all the then shareholders of Alina became our direct Shareholders in proportion to their then shareholdings in Alina, namely:

Shareholders	No. of Shares currently held	%
Man Wah Investments	555,281,000	83.35
Mr. Zeng Wen Li	33,300,000	5.00
Mr. Li Chun Hui	33,044,000	4.96
Ms. Tai Chun Chun	32,319,000	4.85
Mr. Li Jianhong	9,000,000	1.35
Mr. Francis Lee Fook Wah	2,000,000	0.30
Mr. Stephen Allen Barr	1,256,000	0.19
Total	666,200,000	100

(b) on 7 December 2009, the entire issued share capital of Famous Bedding was transferred from Man Wah Far East and Weston International to Man Wah Group, one of our subsidiaries. As consideration for the transfer, we issued 40,331,000 Shares to Man Wah Far East (which Man Wah Far East directed us to issue to Man Wah Investments) and 17,285,000 Shares to Weston International, credited as fully paid. Thereafter, our Shares were held as follows:

Shareholders	No. of Shares post acquisition	%
Man Wah Investments	595,612,000	82.29
Weston International	17,285,000	2.39
Mr. Zeng Wen Li	33,300,000	4.60
Mr. Li Chun Hui	33,044,000	4.57
Ms. Tai Chun Chun	32,319,000	4.47
Mr. Li Jianhong	9,000,000	1.24
Mr. Francis Lee Fook Wah	2,000,000	0.28
Mr. Stephen Allen Barr	1,256,000	0.17
Total	723,816,000	100

5. *Changes in share capital of subsidiaries*

The subsidiaries of our Company are referred to in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

Save as mentioned in the paragraph entitled "Reorganisation" in this Appendix, the following group companies of our Group have undergone the following changes in their respective share capitals during the two years immediately prior to the date of this prospectus:

(a) Beijing Min Hua Ai Meng

Beijing Min Hua Ai Meng was established in the PRC on 1 April 2008 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000. According to a capital verification report dated 31 March 2008, the registered capital of RMB500,000 has been paid up as at 26 March 2008.

(b) Dalian Man Wah

Dalian Man Wah was established in the PRC on 24 September 2009 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000. According to an Investment Certificate on the Registration of the Formation of an Enterprise (企業設立登記出資證明) issued by the Dalian branch of China CITIC Bank Corporation Limited (中信銀行股份有限公司大連分行) dated 26 August 2009, the registered capital of RMB500,000 has been paid up as at 26 August 2009.

(c) Dongguan Man Wah

Dongguan Man Wah was established in the PRC on 25 September 2009 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000. According to a capital verification report dated 21 September 2009, the registered capital of RMB500,000 has been paid up as at 20 July 2009.

(d) Guangzhou An Lan Da

Guangzhou An Lan Da was established in the PRC on 15 May 2008 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000. According to a capital verification report dated 21 April 2008, the registered capital of RMB500,000 has been paid up as at 7 April 2008.

(e) Hangzhou Man Wah

Hangzhou Man Wah was established in the PRC on 25 May 2009 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000. According to a capital verification report dated 22 May 2009, the registered capital of RMB500,000 has been paid up as at 21 May 2009.

(f) Home Expo

Home Expo was established in Hong Kong on 6 August 2009 as a limited liability company with an authorised capital of HK$10,000 divided into 10,000 shares of HK$1 each, a total of 10,000 shares of which were issued and allotted as to 5,000 shares to Man Wah International and 5,000 shares to Honourable Investment Limited.

(g) Man Wah Furniture (HZ)

On 12 October 2007, the board of directors of Man Wah Furniture (HZ) resolved that the company's registered capital be increased by US$16,000,000 from US$28,800,000 to US$44,800,000. According to a capital verification report dated 1 February 2008, the increased amount of registered capital was fully paid up as at 15 January 2008. This capital increase was approved by the Huizhou Administration for Industry and Commerce on 17 March 2008.

On 18 March 2008, the board of directors of Man Wah Furniture (HZ) resolved that the company's registered capital be increased by US$10,000,000 from US$44,800,000 to US$54,800,000. According to a capital verification report dated 18 June 2008, the increased amount of registered capital was fully paid up as at 16 June 2008. This capital increase was approved by the Huizhou Administration for Industry and Commerce on 14 July 2008.

(h) Man Wah Furniture (SZ)

On 6 March 2008, the board of directors of Man Wah Furniture (SZ) has resolved the company's registered capital be increased by HK$36,000,000 from HK$1,000,000 to HK$37,000,000. According to a capital verification report dated 11 December 2008, the increased amount of registered capital has not been fully paid up as at 27 November 2008. This capital increase was approved by the Shenzhen Administration for Industry and Commerce on 15 December 2008.

(i) Man Wah (Wujiang)

Man Wah (Wujiang) was established in the PRC on 23 May 2008 as a limited liability company. The initial amount of registered capital on incorporation was US$60,000,000. According to a capital verification report dated 22 October 2009, 15% of the registered capital, US$9,000,000, had been paid up but the remaining registered capital of US$51,000,000 had not been fully paid up as at 19 October 2009.

(j) Nanchang Man Wah

Nanchang Man Wah was established in the PRC on 13 March 2009 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000. According to a capital verification report dated 2 March 2009, the registered capital of RMB500,000 has been paid up as at 27 February 2009.

(k) New Uifa

New Uifa was liquidated on 9 February 2010 and such liquidation has been approved and confirmed by the Shenzhen Market Supervisory Bureau (深圳市市場監督管理局).

(l) Shanghai Man Wah

Shanghai Man Wah was established in the PRC on 11 February 2009 as a limited liability company. The initial amount of registered capital on incorporation was RMB1,000,000. According to a capital verification report dated 15 January 2009, the registered capital of RMB1,000,000 has been paid up as at 13 January 2009.

(m) Shenzhen An Lan Da

Shenzhen An Lan Da was established in the PRC on 21 April 2008 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000. According to a capital verification report dated 18 March 2008, the registered capital of RMB500,000 has been paid up as at 17 March 2008.

(n) Xi An Man Wah

Xi An Man Wah was established in the PRC on 17 April 2009 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000. According to a capital verification report dated 26 March 2009 the registered capital of RMB500,000 has been paid up as at 26 March 2009.

(o) Zhuhai Man Wah

Zhuhai Man Wah was established in the PRC on 9 October 2009 as a limited liability company. The initial amount of registered capital on incorporation was RMB500,000. According to a capital verification report dated 29 August 2009, the registered capital of RMB500,000 has been paid up as at 28 August 2009.

Save as disclosed in this prospectus, there has been no other change to the share capital of any of the subsidiaries of our Company within the two years immediately prior to the date of this prospectus.

6. *Repurchase by our Company of our own securities*

The Hong Kong Listing Rules permit companies with a primary listing on the Hong Kong Stock Exchange to repurchase their securities on the Hong Kong Stock Exchange. This section includes the information required by the Hong Kong Stock Exchange to be included in this prospectus concerning repurchases of our own securities.

(a) Provisions of the Hong Kong Listing Rules

The Hong Kong Listing Rules permit companies whose primary listing is on the Hong Kong Stock Exchange to repurchase their securities that are listed on the Hong Kong Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(i) Shareholders' approval

The Hong Kong Listing Rules provide that all repurchases of securities (which must be fully paid-up in the case of shares) by a company with its primary listing on the Hong Kong Stock Exchange must be approved in advance by an ordinary resolution of its shareholders, either by way of general mandate or by specific approval of a particular transaction.

(ii) Source of funds

Repurchases must be funded out of funds legally available for the purpose in accordance with the constitutional documents of company, the Hong Kong Listing Rules and any applicable laws of the jurisdiction of its incorporation. A listed company may not repurchase its own securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange as in effect from time to time. Subject to the foregoing, any repurchases may be made out of funds legally permitted to be used in this connection, including profits of a company or out of the proceeds of a new issue of shares made for that purpose or out of the company's share premium account or, if so authorised by its bye-laws and subject to the provisions of any applicable laws, out of its share capital. Any amount of premium payable on the purchase over the par value of the shares to be repurchased must be provided out of the funds which would otherwise be available for dividend or distribution or from sums standing to the credit of the company's share premium account.

On the basis of our current financial position as disclosed in this prospectus and taking into account our current working capital position, our Directors believe that, if the repurchase mandate is exercised in full, it might have a material adverse effect on our working capital position and/or our gearing position as compared with our position disclosed in this prospectus. However, our Directors do not propose to exercise the repurchase mandate to such an extent as would, in the circumstances, have a material adverse effect on our working capital requirements and/or gearing levels which, in the opinion of our Directors, are from time to time appropriate for our Company.

(iii) Status of repurchased securities

The listing of all repurchased securities (whether effected on the Hong Kong Stock Exchange or otherwise) will be automatically cancelled and the certificates for those securities must be cancelled and destroyed. Under Bermuda law, a company's repurchased shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the repurchased shares accordingly, although the authorised share capital of the company will not be reduced.

(iv) Trading restrictions

The total number of Shares which our Company may repurchase is up to 10% of the total number of our Shares in issue immediately after the completion of the Global Offering (without taking into account our Shares which may be issued pursuant to the exercise of the Over-allotment Option or any options granted under any options which may be granted under the Share Option Scheme). Our Company may not issue or announce a proposed issue of Shares for a period of 30 days immediately following a repurchase of Shares, without the prior approval of the Hong Kong Stock Exchange. Our Company is also prohibited from repurchasing Shares on the Hong Kong Stock Exchange if the repurchase would result in the number of listed Shares which are in the hands of the public falling below the relevant prescribed minimum percentage as required by the Hong Kong Stock Exchange. Our Company is required to procure that the broker appointed by our Company to effect a repurchase of Shares discloses to the Hong Kong Stock Exchange such information with respect to the repurchase as the Hong Kong Stock Exchange may require. As required by the prevailing requirements of the Hong Kong Listing Rules, an issuer shall not purchase its shares on the Hong Kong Stock Exchange if the purchase price is higher by 5% or more than the average closing market price for the 5 preceding trading days on which its shares were traded on the Hong Kong Stock Exchange.

(v) Suspension of repurchase

Pursuant to the Hong Kong Listing Rules, our Company may not make any repurchase of Shares after a price sensitive development has occurred or has been the subject of a decision until such time as the price sensitive information has been made publicly available. In particular, under the requirements of the Hong Kong Listing Rules in force as at the date hereof, during the period of one month immediately preceding the earlier of:

(aa) the date of the board meeting (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Hong Kong Listing Rules) for the approval of our Company's results for any year, half year, quarterly or any other interim period (whether or not required under the Hong Kong Listing Rules); and (bb) the deadline for our Company to publish an announcement of our Company's results for any year or half-year under the Hong Kong Listing Rules, or quarterly or any other interim period (whether or not required under the Hong Kong Listing Rules), and in each case ending on the date of the results announcement, our Company may not repurchase Shares on the Hong Kong Stock Exchange unless the circumstances are exceptional.

(vi) Procedural and reporting requirements

As required by the Hong Kong Listing Rules, repurchases of Shares on the Hong Kong Stock Exchange or otherwise must be reported to the Hong Kong Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the Hong Kong Stock Exchange Business Day following any day on which our Company may make a purchase of Shares. The report must state the total number of Shares purchased the previous day, the purchase price per Share or the highest and lowest prices paid for such purchases. In addition, our Company's annual report is required to disclose details regarding repurchases of Shares made during the year, including a monthly analysis of the number of shares repurchased, the purchase price per Share or the highest and lowest price paid for all such purchases, where relevant, and the aggregate prices paid.

(vii) Connected persons

The Hong Kong Listing Rules prohibit a company from knowingly repurchasing securities on the Hong Kong Stock Exchange from a "Connected Person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective associates (as defined in the Hong Kong Listing Rules) and a Connected Person is prohibited from knowingly selling his/her/its securities to the Company on the Hong Kong Stock Exchange.

(b) Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and our Shareholders for our Directors to have a general authority from our Shareholders to enable our Company to repurchase Shares in the market. Such Share repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of our net asset value per Share and/or our earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Exercise of the repurchase mandate

The exercise in full of the current repurchase mandate, on the basis of 965,088,000 Shares in issue immediately following the completion of the Global Offering and assuming no exercise of the Over-allotment Option and no exercise of the options that may be granted under the Share Option Scheme, would result in up to 96,508,800 Shares being repurchased by us during the Relevant Period.

(d) General

None of our Directors or, to the best of their knowledge having made all reasonable enquiries, any of their respective associates (as defined in the Hong Kong Listing Rules) has any present intention to sell any Shares to us or any of our subsidiaries if the repurchase mandate is exercised.

Our Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the Hong Kong Listing Rules, the Bye-laws and any other applicable laws of Bermuda.

If, as a result of a repurchase of our Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code as a result of any such increase. Our Directors do not at present intend to exercise their authority so as to trigger such mandatory offer. Save as aforesaid, our Directors are not aware of any consequences which may arise if the repurchase mandate is exercised.

We have not made any repurchases of our own securities in the past six months.

No Connected Person of our Company has notified us that he/she/it has a present intention to sell his/her/its Shares to us, nor has he/she/it undertaken not to do so, if the repurchase mandate is exercised.

B. FURTHER INFORMATION ABOUT THE BUSINESS

1. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

(a) a share purchase agreement dated 26 August 2008 signed by and among our Company (as the purchaser), Man Wah Far East and Weston International (as the vendors), Man Wah Industrial and Mr. Yu Tung Wan where Man Wah Far East and Weston International wish to sell the entire issued share capital of Famous Bedding to us in consideration of 16% of the equity interest in Man Wah Furniture (SZ) and RMB24.9 million, respectively;

(b) a sale and purchase agreement dated 7 December 2009 signed by and among our Company, Man Wah Group (as the purchaser), Man Wah Far East and Weston International (as the vendors) for the transfer of 100 shares of HK$1 each, representing the entire issued share capital of Famous Bedding, to Man Wah Group in consideration of our issue of an aggregate of 57,616,000 Shares, credited as fully paid;

(c) a Deed of Indemnity dated 5 March 2010 signed by Man Wah Investments and Mr. Wong in favour of our Company, details of which are set out in the paragraph entitled "Indemnity" in the section entitled "E. Other Information – 1. Indemnity" of this Appendix;

(d) a Deed of Non-competition Undertaking dated 5 March 2010 signed by Man Wah Investments and Mr. Wong in favour of our Company, details of which are set out in the paragraph entitled "Non-competition Undertaking" in the section entitled "Relationship with Controlling Shareholders" of this prospectus; and

(e) the Hong Kong Underwriting Agreement.

2 *Intellectual property rights*

(a) Trademarks

(i) Registered trademarks

As at the Latest Practicable Date, our Group had registered the following trademarks:

	Registration Number	Trademark	Registered Owner	Place of Registration	Class	Validity Period
1	4759372		Man Wah Industrial	PRC	18	21.06.2009-20.06.2019
2	4759371		Man Wah Industrial	PRC	21	21.02.2009-20.02.2019
3	4759370		Man Wah Industrial	PRC	24	07.07.2009-06.07.2019
4	4757758		Man Wah Industrial	PRC	35	28.01.2009-27.01.2019
5	4757759		Man Wah Industrial	PRC	37	28.02.2009-27.02.2019
6	4593478		Man Wah Industrial	PRC	18	21.04.2009-20.04.2019
7	837505		Man Wah Industrial[Note 1]	PRC	20	07.05.2006-06.05.2016
8	4593477		Man Wah Industrial	PRC	21	07.09.2008-06.09.2018
9	4757853		Man Wah Industrial	PRC	24	21.08.2009-20.08.2019
10	4757855		Man Wah Industrial	PRC	37	21.02.2009-20.02.2019
11	1146415		Man Wah Industrial	Australia	20	13.11.2006-13.11.2016
12	005466701		Man Wah Industrial	EU	20, 21 & 24	18.12.2007-14.11.2016
13	TMA710983		Man Wah Industrial	Canada	9.1.23, 12.1.1, 12.1.3	04.04.2008-04.04.2023
14	3431969		Man Wah Industrial	US	20	20.05.2008-20.05.2014

	Registration Number	Trademark	Registered Owner	Place of Registration	Class	Validity Period
15	2192514	CHEERS	Man Wah Industrial	U.K.	20	23.03.2009-23.03.2019
16	1992B05331	CHEERS	Man Wah Industrial	Hong Kong	20	16.11.1990-16.11.2011
17	199500748	CHEERS 芝華仕	Man Wah Industrial	Hong Kong	20	24.02.1993-24.02.2014
18	300291708	芝華仕	Man Wah Industrial	Hong Kong	20	24.09.2004-23.09.2014
19	711956	芝華仕	Man Wah Industrial[Note 1]	PRC	20	21.10.2004-20.10.2014
20	4757760	敏 華	Man Wah Industrial	PRC	18	28.02.2009-27.02.2019
21	4757761	敏 華	Man Wah Industrial	PRC	21	21.02.2009-20.02.2019
22	4757762	敏 華	Man Wah Industrial	PRC	24	28.02.2009-27.02.2019
23	4757764	敏 華	Man Wah Industrial	PRC	37	07.02.2009-06.02.2019
24	4757765	Enlanda	Man Wah Industrial	PRC	18	07.05.2009-06.05.2019
25	4757766	Enlanda	Man Wah Industrial	PRC	21	21.04.2009-20.04.2019
26	4757767	Enlanda	Man Wah Industrial	PRC	24	21.04.2009-20.04.2019
27	4757846	Enlanda	Man Wah Industrial	PRC	35	28.01.2009-27.01.2019
28	4757847	Enlanda	Man Wah Industrial	PRC	37	07.02.2009-06.02.2019
29	4759377	愛 蒙	Man Wah Industrial	PRC	18	28.02.2009-27.02.2019
30	4759376	愛 蒙	Man Wah Industrial	PRC	21	21.06.2009-20.06.2019
31	4759375	愛 蒙	Man Wah Industrial	PRC	24	28.02.2009-27.02.2019
32	4759374	愛 蒙	Man Wah Industrial	PRC	35	28.01.2009-27.01.2019
33	4759373	愛 蒙	Man Wah Industrial	PRC	37	07.02.2009-06.02.2019
34	1636933	Enlanda 愛蒙	Bedding SZ	PRC	20	21.09.2001-20.09.2011
35	200306496	Land	Man Wah Industrial	Hong Kong	20	13.09.2002-13.09.2019

	Registration Number	Trademark	Registered Owner	Place of Registration	Class	Validity Period
36	2001B13830	100 名華軒	Man Wah Industrial	Hong Kong	35	26.09.2000-26.09.2017
37	1950905	100 名華軒	Man Wah Industrial	PRC	35	21.11.2002-20.11.2012
38	3127143	我的	Man Wah Furniture (SZ)	PRC	20	07.07.2003-06.07.2013
39	1612923	M&W FURNITURE	Man Wah Rong	PRC	20	07.08.2001-06.08.2011
40	1636931	MANWAH	Man Wah Rong	PRC	20	21.09.2001-20.09.2011
41	1677009	敏華	Man Wah Rong	PRC	20	07.12.2001-06.12.2011
42	5012739	FIRST-CLASS CABIN	Jiang Yunqiang[Note 2]	PRC	20	14.03.2009-13.03.2019
43	4682863	FIRST-CLASS CABIN	Jiang Yunqiang[Note 2]	PRC	32	07.03.2008-06.03.2018

Notes:

1. On 12 November 2009, Man Wah Industrial, Man Wah Rong, Man Wah Furniture (SZ) and Man Wah Furniture (HZ) signed a trademark licence agreement (商標使用許可合同) where Man Wah Industrial gave the abovementioned PRC companies the licence to use trademark numbers #837505 and #711956 for the period from 1 November 2009 until 31 December 2012.

2. The transfers of the registered trademark numbers #5012739 and #4682863 from Mr. Jiang Yunqiang (蔣運強先生) to Man Wah Furniture (HZ) are in progress.

(ii) Trademarks under application

As at the Latest Practicable Date, our Group had applied for the registration of the following trademarks:

	Application Number	Trademark	Name of Applicant	Place of Registration	Class	Application Date
1	301556424	MANWAH	Man Wah Industrial	Hong Kong	35	03.2010 Note 1
2	6980577	芝華仕 頭等艙	Man Wah Industrial	PRC	20	06.10.2008
3	6980578	C EERS 芝華仕 頭等艙	Man Wah Industrial	PRC	20	06.10.2008
4	6980579	C EERS 頭等艙	Man Wah Industrial	PRC	20	06.10.2008
5	7430496	头 等 舱 沙 发	Man Wah Industrial	PRC	20	31.05.2009
6	7430497	Beverly 比華利	Man Wah Industrial	PRC	20	31.05.2009
7	4757854	C EERS	Man Wah Industrial	PRC	35	04.07.2005
8	4757848	芝華仕	Man Wah Industrial	PRC	18	04.07.2005
9	4757849	芝華仕	Man Wah Industrial	PRC	21	04.07.2005
10	4757850	芝華仕	Man Wah Industrial	PRC	24	04.07.2005
11	4757851	芝華仕	Man Wah Industrial	PRC	35	04.07.2005
12	4757852	芝華仕	Man Wah Industrial	PRC	37	04.07.2005
13	6980636	Enlanda SIM	Bedding SZ	PRC	20	06.10.2008
14	6980637	Enlanda PRESIDENT CLUB	Bedding SZ	PRC	20	06.10.2008
15	6980638	Enlanda	Bedding SZ	PRC	20	06.10.2008
16	7238124	Enlanda	Bedding SZ	PRC	20	09.03.2009

	Application Number	Trademark	Name of Applicant	Place of Registration	Class	Application Date
17	7238125		Bedding SZ	PRC	20	09.03.2009
18	7238126		Bedding SZ	PRC	20	09.03.2009
19	7238127		Bedding SZ	PRC	20	09.03.2009
20	7238128		Bedding SZ	PRC	20	09.03.2009
21	7238129		Bedding SZ	PRC	20	09.03.2009
22	7238130		Bedding SZ	PRC	20	09.03.2009
23	7238131		Bedding SZ	PRC	20	09.03.2009
24	7238132		Bedding SZ	PRC	20	09.03.2009

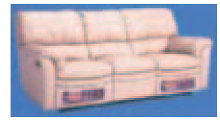
Note 1: The application of this trademark is in progress and as at the Latest Practicable Date, the Trade Marks Registry of the Intellectual Property Department of Hong Kong confirmed receipt of the application of this trademark.

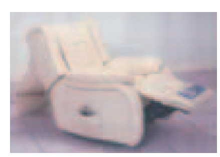
(b) Designs

As at the Latest Practicable Date, our Group had registered the following designs:

(i) In Hong Kong

	Registration Number	Class	Registered Owner	Place	Article	Date of Registration	Expiry Date
1	0800397.8	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
2	0800398.0	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
3	0800399.2	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
4	0800400.6	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
5	0800401.8	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
6	0800402.0	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
7	0800403.2	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
8	0800404.4	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
9	0800405.7	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013

	Registration Number	Class	Registered Owner	Place	Article	Date of Registration	Expiry Date
10	0800406.9	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
11	0800407.1	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
12	0800408.3	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
13	0800409.5	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
14	0800411.9	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
15	0800412.1	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
16	0800413.3	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
17	0800414.5	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
18	0800415.8	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013
19	0800416.0	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	05.02.2008	04.02.2013

	Registration Number	Class	Registered Owner	Place	Article	Date of Registration	Expiry Date
20	0801335.9M001	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	14.05.2008	13.05.2013
21	0801335.9M002	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	14.05.2008	13.05.2013
22	0801335.9M003	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	14.05.2008	13.05.2013
23	0801335.9M004	6 – 01	Man Wah Industrial	Hong Kong	 Sofa	14.05.2008	13.05.2013
24	0901287.7	6.01	Man Wah Industrial	Hong Kong	 Massage sofa	13.08.2009	12.08.2014

(ii) In PRC

	Registration Number	Class	Registered Owner	Place	Article	Date of Registration	Expiry Date
1	ZL 2008 3 0106112.0	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8506)	24.06.2009	06.04.2018
2	ZL 2008 3 0106113.5	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8391)	22.07.2009	06.04.2018
3	ZL 2008 3 0106116.9	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8217)	29.04.2009	06.04.2018
4	ZL 2008 3 0106117.3	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8153)	08.07.2009	06.04.2018
5	ZL 2008 3 0106118.8	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8501)	24.06.2009	06.04.2018
6	ZL 2008 3 0106665.6	06-01	Man Wah Furniture (SZ)	PRC	Sofa (V31)	22.07.2009	22.04.2018
7	ZL 2008 3 0106666.0	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8520 Qu Chi)	08.07.2009	22.04.2018
8	ZL 2008 3 0106667.5	06-01	Man Wah Furniture (SZ)	PRC	Sofa (V32)	22.07.2009	22.04.2018
9	ZL 2008 3 0106114.X	06-01	Man Wah Furniture (SZ)	PRC	Sofa (U8359)	09.09.2009	06.04.2018
10	ZL 2008 3 0106115.4	06-01	Man Wah Furniture (SZ)	PRC	Sofa (U8392)	09.09.2009	06.04.2018
11	ZL 2008 3 0153904.3	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8290)	09.09.2009	04.08.2018

	Registration Number	Class	Registered Owner	Place	Article	Date of Registration	Expiry Date
12	ZL 2008 3 0153909.6	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8279)	09.09.2009	04.08.2018
13	ZL 2008 3 0153910.9	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8502)	09.09.2009	04.08.2018
14	ZL 2008 3 0153923.6	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8337)	09.09.2009	31.07.2018
15	ZL 2008 3 0153926.X	06-01	Man Wah Furniture (SZ)	PRC	Sofa (U8397)	09.09.2009	31.07.2018
16	ZL 2008 3 0153928.9	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8507)	09.09.2009	31.07.2018
17	ZL 2008 3 0153929.3	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8387)	09.09.2009	31.07.2018
18	ZL 2008 3 0209119.5	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8529)	09.09.2009	22.09.2018
19	ZL 2008 3 0209120.8	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8532)	09.09.2009	22.09.2018
20	ZL 2008 3 0209128.4	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8286)	09.09.2009	22.09.2018
21	ZL 2008 3 0209135.4	06-01	Man Wah Furniture (SZ)	PRC	Sofa (K337)	09.09.2009	22.09.2018
22	ZL 2008 3 0209138.8	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8575)	09.09.2009	22.09.2018
23	ZL 2008 3 0209139.2	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8577)	09.09.2009	22.09.2018
24	ZL 2008 3 0209669.7	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8586)	09.09.2009	25.09.2018
25	ZL 2008 3 0209670.X	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8578)	09.09.2009	25.09.2018
26	ZL 2008 3 0209121.2	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8537)	21.10.2009	22.09.2018
27	ZL 2008 3 0209123.1	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8557)	21.10.2009	22.09.2018
28	ZL 2008 3 0209141.X	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8580)	21.10.2009	22.09.2018
29	ZL 2008 3 0209671.4	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8571)	21.10.2009	25.09.2018
30	ZL 2008 3 0209673.3	06-01	Man Wah Furniture (SZ)	PRC	Sofa (3063)	21.10.2009	25.09.2018
31	ZL 2008 3 0213342.7	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8556)	21.10.2009	27.09.2018
32	ZL 2008 3 0272810.8	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8500)	21.10.2009	23.11.2018
33	ZL 2008 3 0209126.5	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8572)	28.10.2009	22.09.2018
34	ZL 2008 3 0248902.2	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8576)	28.10.2009	02.11.2018
35	ZL 2008 3 0153921.7	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8353)	11.11.2009	31.07.2018
36	ZL 2008 3 0153920.2	06-01	Man Wah Furniture (SZ)	PRC	Sofa (8298)	25.11.2009	31.07.2018
37	ZL 2007 3 0133885.3	06-01	Man Wah Rong	PRC	Sofa (7202)	21.05.2008	23.05.2017
38	ZL 2007 3 0133886.8	06-01	Man Wah Rong	PRC	Sofa (3111)	21.05.2008	23.05.2017
39	ZL 2007 3 0170514.2	06-01	Man Wah Rong	PRC	Sofa (6167)	21.05.2008	17.06.2017
40	ZL 2007 3 0170516.1	06-01	Man Wah Rong	PRC	Sofa (6176)	04.06.2008	17.06.2017
41	ZL 2007 3 0170518.0	06-01	Man Wah Rong	PRC	Sofa (8271)	04.06.2008	17.06.2017
42	ZL 2007 3 0170519.5	06-01	Man Wah Rong	PRC	Sofa (37)	04.06.2008	17.06.2017
43	ZL 2007 3 0170515.7	06-01	Man Wah Rong	PRC	Sofa (8188)	25.06.2008	17.06.2017
44	ZL 2007 3 0171406.7	06-01	Man Wah Rong	PRC	Sofa (3211)	23.07.2008	18.07.2017
45	ZL 2007 3 0171407.1	06-01	Man Wah Rong	PRC	Sofa (8262)	25.06.2008	18.07.2017
46	ZL 2007 3 0171408.6	06-01	Man Wah Rong	PRC	Sofa (8166)	23.07.2008	18.07.2017
47	ZL 2007 3 0171409.0	06-01	Man Wah Rong	PRC	Sofa (8170)	25.06.2008	18.07.2017
48	ZL 2007 3 0171411.8	06-01	Man Wah Rong	PRC	Sofa (8209)	25.06.2008	18.07.2017
49	ZL 2007 3 0171412.2	06-01	Man Wah Rong	PRC	Sofa (88)	23.07.2008	18.07.2017
50	ZL 2007 3 0170512.3	06-01	Man Wah Rong	PRC	Sofa (3350)	23.07.2008	17.06.2017

	Registration Number	Class	Registered Owner	Place	Article	Date of Registration	Expiry Date
51	ZL 2007 3 0171605.8	06-01	Man Wah Rong	PRC	Sofa (8238)	16.07.2008	26.07.2017
52	ZL 2007 3 0171606.2	06-01	Man Wah Rong	PRC	Sofa (8235)	23.07.2008	26.07.2017
53	ZL 2007 3 0171607.7	06-01	Man Wah Rong	PRC	Sofa (331)	25.06.2008	26.07.2017
54	ZL 2007 3 0171608.1	06-01	Man Wah Rong	PRC	Sofa (8251)	23.07.2008	26.07.2017
55	ZL 2007 3 0171609.6	06-01	Man Wah Rong	PRC	Sofa (8202)	23.07.2008	26.07.2017
56	ZL 2007 3 0171610.9	06-01	Man Wah Rong	PRC	Sofa (8082)	04.06.2008	26.07.2017
57	ZL 2007 3 0171611.3	06-01	Man Wah Rong	PRC	Sofa (8272)	23.07.2008	26.07.2017
58	ZL 2007 3 0171612.8	06-01	Man Wah Rong	PRC	Sofa (3217)	23.07.2008	26.07.2017
59	ZL 2007 3 0171613.2	06-01	Man Wah Rong	PRC	Sofa (8167)	23.07.2008	26.07.2017
60	ZL 2007 3 0171842.4	06-01	Man Wah Rong	PRC	Sofa (8091)	27.08.2008	07.08.2017
61	ZL 2007 3 0171843.9	06-01	Man Wah Rong	PRC	Sofa (8052)	30.07.2008	07.08.2017
62	ZL 2007 3 0171844.3	06-01	Man Wah Rong	PRC	Sofa (8270)	27.08.2008	07.08.2017
63	ZL 2007 3 0171847.7	06-01	Man Wah Rong	PRC	Sofa (6071)	23.07.2008	07.08.2017
64	ZL 2007 3 0171848.1	06-01	Man Wah Rong	PRC	Sofa (6258)	30.07.2008	07.08.2017
65	ZL 2007 3 0171849.6	06-01	Man Wah Rong	PRC	Sofa (7235)	23.07.2008	07.08.2017
66	ZL 2007 3 0171850.9	06-01	Man Wah Rong	PRC	Sofa (Huo Bin Ni)	16.07.2008	07.08.2017
67	ZL 2007 3 0171851.3	06-01	Man Wah Rong	PRC	Sofa (79)	23.07.2008	07.08.2017
68	ZL 2007 3 0172775.8	06-01	Man Wah Rong	PRC	Sofa (8351)	27.08.2008	30.08.2017
69	ZL 2007 3 0172777.7	06-01	Man Wah Rong	PRC	Sofa (7206)	17.12.2008	30.08.2017
70	ZL 2007 3 0172778.1	06-01	Man Wah Rong	PRC	Sofa (8266)	27.08.2008	30.08.2017
71	ZL 2007 3 0172779.6	06-01	Man Wah Rong	PRC	Sofa (8331)	27.08.2008	30.08.2017
72	ZL 2007 3 0172780.9	06-01	Man Wah Rong	PRC	Sofa (8335)	24.09.2008	30.08.2017
73	ZL 2007 3 0172781.3	06-01	Man Wah Rong	PRC	Sofa (8358)	27.08.2008	30.08.2017
74	ZL 2007 3 0172782.8	06-01	Man Wah Rong	PRC	Sofa (8362)	27.08.2008	30.08.2017
75	ZL 2007 3 0174411.3	06-01	Man Wah Rong	PRC	Sofa (8363)	03.12.2008	09.10.2017
76	ZL 2007 3 0174412.8	06-01	Man Wah Rong	PRC	Sofa (8325)	17.12.2008	09.10.2017
77	ZL 2007 3 0174414.7	06-01	Man Wah Rong	PRC	Sofa (8365)	17.12.2008	09.10.2017
78	ZL 2007 3 0343024.8	06-01	Man Wah Rong	PRC	Sofa (U8380)	25.02.2009	05.12.2017
79	ZL 2007 3 0343025.2	06-01	Man Wah Rong	PRC	Sofa (8295M)	25.02.2009	05.12.2017
80	ZL 2007 3 0171852.8	06-01	Man Wah Rong	PRC	Sofa (8099)	27.08.2008	07.08.2017
81	ZL 2004 3 0034525.4	08-08	Yu Tung Wan[Note]	PRC	Mattress spring components	03.11.2004	10.03.2014
82	ZL 2008 3 0213968.8	06-02	Bedding SZ	PRC	Bedding frame (S-319)	23.09.2009	27.09.2018
83	ZL 2008 3 0213970.5	06-02	Bedding SZ	PRC	Bedding frame (S-519)	23.09.2009	27.09.2018
84	ZL 2008 3 0213972.4	06-02	Bedding SZ	PRC	Bedding frame (S-629)	30.12.2009	27.09.2018
85	ZL 2008 3 0213971.X	06-02	Bedding SZ	PRC	Bedding frame (S-639)	06.01.2010	27.09.2018

Note: On 1 August 2008, Mr. Yu Tung Wan and Bedding SZ signed a patent licence agreement (專利使用許可合同) where Mr. Yu Tung Wan transferred the registered design number #ZL2004 3 0034525.4 to Bedding SZ. The PRC Intellectual Property Office issued a Notification of Procedure Satisfaction (手續合格通知書) approving the transfer on 8 October 2008. However, the PRC Intellectual Property Office search results still show Mr. Yu Tung Wan as the registered owner and we are making enquiries as to if and how we can regularise this.

(c) Utility Models

As at the Latest Practicable Date, our Group had registered the following patents of utility models:

	Registration Number	Class	Registered Owner	Place	Article	Date of Registration	Expiry Date
1	ZL 2007 2 0052273.6	A47C23/00(2006.01)I	Yu Tung Wan[Note 1]	PRC	Mattress protection device	23.4.2008	31.05.2017
2	ZL 2007 2 0050961.9	A47C27/04(2006.01)I	Yu Tung Wan[Note 2]	PRC	Connecting mattress	20.2.2008	27.04.2017
3	ZL 2008 2 0042868.8	F21S2/00(2006.01)I	Bedding SZ	PRC	Bed using lighting system	11.3.2009	14.01.2018
4	ZL 2004 2 0043632.8	A47C27/04	Yu Tung Wan[Note 3]	PRC	Mattress spring	06.07.2005	11.03.2014
5	ZL 2008 2 0094876.7	AC7C23/26(2006.01)I	Man Wah Furniture (SZ)	PRC	Supporting frame for spring sofa seats	15.07.2009	17.06.2018
6	ZL 2008 2 0146453.5	A47C20/04(2006.01)I	Man Wah Furniture (HZ)	PRC	Mechanism for adjusting seat	20.05.2009	07.08.2018

Notes:

1. On 1 September 2008, Mr. Yu Tung Wan and Bedding SZ signed a patent transfer agreement (專利權轉讓合同) where Mr. Yu Tung Wan transferred the utility model number #ZL 2007 2 0052273.6 to Bedding SZ. The PRC Intellectual Property Office issued a Notification of Procedure Satisfaction (手續合格通知書) approving the transfer on 10 October 2008. However, the PRC Intellectual Property Office search results still show Mr. Yu Tung Wan as the registered owner and we are making enquiries as to if and how we can regularise this.

2. On 31 July 2008, Mr. Yu Tung Wan and Bedding SZ signed an intellectual property transfer agreement (知識產權轉讓合同) where Mr. Yu transferred the patent of utility model number #ZL 2007 2 0050961.9 to Bedding SZ. The PRC Intellectual Property Office issued a Notification of Procedure Satisfaction (手續合格通知書) approving the transfer on 10 October 2008. However, the PRC Intellectual Property Office search results still show Mr. Yu Tung Wan as the registered owner and we are making enquiries as to if and how we can regularise this.

3. On 1 August 2008, Mr. Yu Tung Wan and Bedding SZ signed a patent transfer agreement (專利權轉讓合同) where Mr. Yu Tung Wan transferred the utility model number #ZL 2004 2 0043632.8 to Bedding SZ. The PRC Intellectual Property Office issued a Notification of Procedure Satisfaction (手續合格通知書) approving the transfer on 10 October 2008. However, the PRC Intellectual Property Office search results still show Mr. Yu Tung Wan as the registered owner and we are making enquiries as to if and how we can regularise this.

(d) Domain Name

As at the Latest Practicable Date, our Group had registered the following domain names:

	Domain name	Registered Owner	Date of Registration	Expiry Date
1.	carnivalmall.com	Man Wah Industrial	11.08.2004	11.08.2011
2.	cheersofa.com	Man Wah Industrial	11.08.2004	11.08.2011
3.	cheerssofa.cn	Man Wah Industrial	02.09.2009	02.09.2010
4.	cheerssofa.com.cn	Man Wah Industrial	02.09.2009	02.09.2010
5.	cheerssofa.net	Man Wah Industrial	02.09.2009	02.09.2010
6.	cheersofa.net	Man Wah Industrial	03.09.2009	03.09.2010
7.	cheerssofa.net.cn	Man Wah Industrial	02.09.2009	02.09.2010
8.	enlanda.com	Yu Tung Wan(Note 1)	01.07.2001	01.07.2017

	Domain name	Registered Owner	Date of Registration	Expiry Date
9.	manwahgroup.com	Man Wah Furniture (HZ)	25.08.2008	25.08.2015
10.	manwahholdings.com	Man Wah Industrial	16.03.2005	16.03.2010(Note 2)
11.	morewellfurniture.com	Man Wah Industrial	28.03.2008	27.03.2017
12.	芝华仕.com	Man Wah Industrial	26.08.2009	26.08.2010
13.	芝华仕.net	Man Wah Industrial	02.09.2009	02.09.2010
14.	芝华仕沙发.com	Man Wah Industrial	02.09.2009	02.09.2010
15.	芝华仕沙发.net	Man Wah Industrial	02.09.2009	02.09.2010
16.	芝华仕沙发.中国	Man Wah Industrial	02.09.2009	02.09.2010

Notes:

1. On 4 March 2010, Mr. Yu Tung Wan and Bedding SZ signed a domain name transfer agreement (域名轉讓合同) where Mr. Yu Tung Wan transferred the domain name enlanda.com to Bedding SZ.

2. As at the Latest Practicable Date, the renewal of the registration of the domain name manwahholdings.com is in progress and the expiry date of the domain name is expected to be 15 March 2011.

Save as aforesaid, there are no other trade or service marks, designs, patents, domain names, other intellectual or industrial property rights which are material in relation to our Group's business.

C. FURTHER INFORMATION ABOUT DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of interests

(a) Save as disclosed herein and in the sub-paragraph entitled "Summary of material contracts" in this Appendix, none of our Directors or the experts named in the paragraph entitled "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of us or in any assets acquired or disposed of by or leased to any member of our Group or is proposed to be acquired or disposed of by or leased to any member of our Group within the two years immediately preceding the date of this prospectus.

(b) Save as disclosed in the sub-paragraph entitled "Summary of material contracts" in this Appendix, none of our Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to our Group's business.

2. Particulars of service agreements

Each of the executive Directors entered into a service contract with the Company. The aggregate annual basic salary (excluding the bonus mentioned below) of all the executive Directors pursuant to each of their respective services contracts is approximately HK$9.57 million. The executive Directors service contracts have a term of three years commencing from the Listing Date. The salary of each executive Director after each calendar financial year is subject to adjustment as determined by our remuneration committee and approved by a majority of the members of the Board (excluding the Director whose salary is under review).

Each of the executive Directors may be entitled to a discretionary bonus based on performance.

3. *Directors' remuneration*

Remuneration and benefits in kind of approximately HK$1.9 million, HK$3.1 million, HK$7.0 million and HK$2.9 million in aggregate were paid and granted by our Group to our Directors in respect of the Track Record Period.

Under the current arrangements, the aggregate remuneration and benefits in kind our Directors will be entitled to receive for the financial year ending 31 March 2010 is expected to be approximately HK$10.1 million.

For further information on the remuneration of our Directors, please refer to Note 10 of the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

4. *Interests and/or short positions of our Directors in our Shares, underlying shares or debentures of our Company and our associated corporations*

Immediately following completion of the Global Offering (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted pursuant to the Share Option Scheme), our Directors will have the following interests and/or short positions in the Shares, underlying shares or debentures of our Company and the associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Hong Kong Listing Rules, will be required to be notified to our Company and the Hong Kong Stock Exchange once the Shares are listed:

Long positions in our Shares

Name of the Director	Capacity	Number of Shares	Approximate percentage in our Company *(Note 1)*
Mr. Wong Man Li	Corporate *(Note 2)*	595,612,000	61.72%
Mr. Yu Tung Wan	Corporate *(Note 3)*	17,285,000	1.79%
Mr. Li Jianhong	Beneficial	9,000,000	0.93%
Mr. Stephen Allen Barr . . .	Beneficial	1,256,000	0.13%

Notes:

1. The percentage is calculated based on the number of Shares expected to be in issue immediately following the Global Offering but excluding the number of Shares which may fall to be issued under the Over-allotment Option and the Share Option Scheme.

2. These Shares are beneficially owned by Man Wah Investments which, in turn, is owned by Mr. Wong and Mrs. Wong as to 80% and 20%, respectively.

3. These Shares are beneficially owned by Weston International which, in turn, is wholly-owned by Mr. Yu Tung Wan.

Long positions in the shares of our associated corporations (as defined in the SFO)

Name of the Director	Name of associated corporation	Capacity	Number of shares	Approximate percentage in our Company
Mr. Wong	Man Wah Investments	Beneficial	800	80%
Mrs. Wong.	Man Wah Investments	Beneficial	200	20%

Save as disclosed above, immediately following completion of the Global Offering (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted pursuant to the Share Option Scheme), none of our Directors will have any interests and/or short position in the Shares, underlying shares or debentures of our Company and its associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Hong Kong Listing Rules.

5. ***Interests and/or short position of substantial shareholders in our Shares, underlying Shares or debentures of our Company***

So far as is known to our Directors, immediately following the completion of the Global Offering (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted pursuant to the Share Option Scheme), the following persons (not being the Director or chief executive) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other members of our Group:

Long positions in our Shares

Name	Capacity	Number of Shares	Approximate percentage of interest in our Company
Man Wah Investments	Beneficial	595,612,000	61.72%

Save as disclosed above, so far as is known to our Directors, immediately following completion of the Global Offering (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted pursuant to the Share Option Scheme), there are no other person (not being the Director or chief executive) who has an interest or a short position in the Shares or underlying shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings or any other members of our Group.

6. Agency fees or commission

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of any member of our Group.

7. Disclaimers

Save as disclosed in this prospectus,

(i) none of our Directors or chief executive has any interest and/or short position in the Shares, the underlying shares or debentures of our Company or, any of our associated corporations (within the meaning of the SFO) which will have to be notified to our Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Hong Kong Listing Rules, once the Shares are listed;

(ii) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between our Directors and any member of our Group;

(iii) none of our Directors or the experts named in the paragraph entitled "Consents of experts" in this Appendix has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to, any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;

(iv) none of our Directors or experts named in the paragraph entitled "Consents of experts" in this Appendix is materially interested in any contract or arrangement subsisting as at the date of this prospectus which is significant in relation to the business of our Group taken as a whole;

(v) taking no account of any Shares which may be taken up under the Global Offering, our Directors are not aware of any person who immediately following the completion of the Global Offering (but without taking into account any Shares which may be issued upon the exercise of the Over-allotment Option or any options that may be granted pursuant to the Share Option Scheme) will have an interest or a short position in the Shares or underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or will be directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

(vi) none of the experts named in the paragraph entitled "Consents of experts" in this Appendix has any shareholding in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group or is an officer or servant or in employment of an officer or servant of our Group;

(vii) save as disclosed in this prospectus, no cash, share or other benefit has been paid, allotted or given within the two years preceding the date of this prospectus to any promoter of our Company nor is any cash, share or benefit intended to be paid, allotted or given on the basis of the Global Offering or related transactions as mentioned in this prospectus; and

(viii) so far as is known to our Directors, none of our Directors, their respective associates (as defined under the Hong Kong Listing Rules) or our Shareholders who are interested in more than 5% of the issued share capital of our company has any interest in our five largest customers or our five largest suppliers.

D. SHARE OPTION SCHEME

For the purpose of this section only, unless the context otherwise requires, the following words shall have the following meanings:

"Adoption Date"	5 March 2010, the date on which the Share Option Scheme was conditionally adopted by written resolutions of all the Shareholders;
"Board"	the board of directors of our Company for the time being or a duly authorised committee thereof;
"Business Day"	any day (excluding a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for business;

"Date of Grant"	in respect of an Option, the Business Day on which the Board resolves to make an offer, or the grant of an Option to a Participant whether or not the Offer is subject to Shareholders' approval on the terms of the Share Option Scheme;
"Grantee"	any Participant who accepts an offer in accordance with the terms of the Share Option Scheme, or (where the context so permits) a person entitled to any such Option in consequence of the death of the original Grantee, or the personal representative of such person;
"Group"	the Company and the subsidiaries;
"Offer"	the offer of the grant of an Option;
"Option"	an option to subscribe for Shares pursuant to the Share Option Scheme and for the time being subsisting;
"Option Period"	in respect of any particular Option, the period to be determined and notified by the Board to the Grantee at the time of making an Offer which shall not expire later than 10 years from the Date of Grant;
"Participants"	directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of our Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, business partners, joint venture business partners, promoters or service providers of any member of our Group who the Board considers, in its sole discretion, have contributed or will contribute to our Group;
"Subscription Price"	the price per Share at which a Grantee may subscribe for Shares on the exercise of an Option pursuant to paragraph (d) below; and

"Subsidiary"	a company which is for the time being and from time to time a subsidiary (within the meaning of the Hong Kong Companies Ordinance) of our Company, whether incorporated in Hong Kong or elsewhere.

The following is a summary of the principal terms of the Share Option Scheme approved by the written resolutions of all the Shareholders passed on 5 March 2010:

(a) Purpose

The purpose of the Share Option Scheme is to reward Participants who have contributed to our Group and to encourage Participants to work towards enhancing the value of our Company and the Shares for the benefit of our Company and the Shareholders as a whole.

(b) Who May Join

Our Directors may, at their discretion, invite Participants to take up Options at a price calculated in accordance with paragraph (d) below. An Offer shall remain open for acceptance by the Participant concerned for 28 days from the Date of Grant provided that no such Offer shall be open for acceptance after the expiry of the Option Period or after the Share Option Scheme is terminated or after the Participant has ceased to be a Participant. An Offer is deemed to be accepted when our Company receives from the Grantee the Offer letter signed by the Grantee specifying the number of Shares in respect of which the Offer is accepted, and a remittance to our Company of HK$1.00 as consideration for the grant of the Option. Such remittance is not refundable in any circumstances. The Offer shall specify the terms on which the Option is granted. Such terms may at the discretion of the Board, include among either things, (i) the minimum period for which an Option must be held before it can be exercised, and/or (ii) a performance target that must be reached before the Option can be exercised in whole or in part, and (iii) any other terms, all of which may be imposed (or not imposed) either on a case-by-case basis or generally.

(c) Grant of Options to Connected Persons or any of their Associates

Any grant of Options to any Director, chief executive or substantial shareholder (as such term as defined in the Hong Kong Listing Rules) of our Company, or any of their respective associates under the Share Option Scheme or any other share option schemes of our Company or any of the Subsidiaries shall be subject to the prior approval of the independent non-executive Directors (excluding independent non-executive Directors who are the proposed Grantees of the Options in question). Where any grant of Options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all Options already granted and to be granted (including Options exercised, cancelled or outstanding) to such person in the 12 month period up to and including the date of such grant:

(i) representing in aggregate over 0.1% of the Shares in issue on the date of such grant; and

(ii) having an aggregate value, based on the closing price of the Shares as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange on the Date of Grant, in excess of HK$5 million,

such further grant of Options shall be subject to prior approval by resolution of the Shareholders (voting by way of poll). We shall send a circular to the Shareholders in accordance with the Hong Kong Listing Rules and all Connected Persons shall abstain from voting in favour of the resolution at such general meeting of the Shareholders.

(d) Subscription Price

The Subscription Price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

(i) the closing price of the Shares as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange on the Date of Grant which must be a Business Day;

(ii) the average closing price of the Shares as stated in the daily quotations sheets issued by the Hong Kong Stock Exchange for the five Business Days immediately preceding the Date of Grant; and

(iii) the nominal value of the Shares,

except that for the purposes of calculating the Subscription Price under paragraph 4(b) above for an option offered within five Business Days of the Listing Date, the price at which the Shares are to be offered for subscription pursuant to the Global Offering shall be used as the closing price for any Business Day falling within the period before the Listing Date.

(e) Maximum Number of Shares

(i) The maximum number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company shall not, in the absence of Shareholders' approval, in aggregate exceed 965,088,000 shares, being 10% in nominal amount of the aggregate of Shares in issue on the Listing Date (not taking into account any Shares which may be allotted and issued under the Over-allotment Option) (the "Scheme Mandate Limit"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

(ii) We may renew the Scheme Mandate Limit at any time subject to prior Shareholders' approval but in any event, the total number of Shares which may be issued upon exercise of all Options to be granted under the Share Option Scheme and any other share option schemes of our Company under the limit as refreshed must not exceed 10% of the Shares then in issue as at the date of the Shareholders' approval of the renewed limit. Options previously granted under the Share Option Scheme and any other share option schemes of our Company (including those outstanding, cancelled, lapsed in accordance with the terms or exercised options) will not be counted for the purpose of calculating the limit as renewed.

(iii) For the purpose of seeking the approval of our Shareholders under the sub-paragraph 5(a), we will send a circular containing the information required under Rule 17.02(2)(d) of the Hong Kong Listing Rules and the disclaimer required under Rule 17.02(4) of the Hong Kong Listing Rules to our Shareholders.

(iv) Notwithstanding the foregoing, we may grant Options beyond the Scheme Mandate Limit to Participants if:

(1) separate Shareholders' approval has been obtained for granting Options beyond the Scheme Mandate Limit to Participants specifically identified by us before such Shareholders' approval is sought; and

(2) we, in connection with the seeking of such separate Shareholders' approval, has first sent a circular to Shareholders containing such information as may be required by the Hong Kong Listing Rules then prevailing to be included in such circular.

(v) Subject to paragraph (d) below, the maximum number of Shares issued and to be issued upon exercise of the Options granted to each Grantee under the Share Option Scheme (including both exercised and outstanding Options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of our Company other than those options granted pursuant to specific approval by the Shareholders in a general meeting) exceed 1% of the Shares in issue for the time being (the "Individual Limit").

(vi) Where any further grant of Options to a Participant would result in the Shares issued and to be issued upon exercise of all Options granted and to be granted to such person (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant must be separately approved by Shareholders in general meeting with such Participant and his associates abstaining from voting. We must send a circular to the Shareholders disclosing the identity of the Participant in question, the number and terms of the Options to be granted (and Options previously granted to such Participant) and such other information required under the Hong Kong Listing Rules.

(vii) At any time, the maximum number of Shares which may be issued upon exercise of all Options which then have been granted and have yet to be exercised under the Share Option Scheme and any other share option schemes of our Company shall not, in the absence of Shareholders' approval, in aggregate exceed 30% of the Shares in issue from time to time.

(f) Time of Exercise of Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time during the Option Period.

(g) Rights are Personal to Grantees

An Option is personal to the Grantee and shall not be assignable or transferable and no Grantee shall in any way sell, transfer, charge, mortgage, encumber or create any interest in favour of any other person over or in relation to any Option.

(h) Rights on Termination of Employment by Dismissal

(i) If the Grantee ceases to be a Participant by reason of the termination of his employment or directorship on the grounds of serious misconduct, or appears either to be unable to pay or to have no reasonable prospect of being able to pay his debts or has committed any act of bankruptcy or has become insolvent or has made any arrangements or compromise with his creditors generally, or has been convicted of any criminal offence involving his integrity or honesty or on any other grounds on which an employer would be entitled to terminate his employment summarily, his Option will lapse automatically (to the extent not already exercised) and not be exercisable on or after the date of termination of his employment.

(ii) If the Grantee who is an employee or a director of our Company or another member of our Group ceases to be a Participant for any reason other than his death or termination of his employment or directorship on one or more of the grounds specified in paragraph (h)(i) above, the Option shall lapse (to the extent not already exercised) on the date of cessation or termination of his employment and shall on that day cease to be exercisable.

(i) Rights on Death

If the Grantee ceases to be a Participant by reason of his death before exercising his Option in full and none of the events which would be a ground for termination of his employment as described in paragraph (h)(i) above have arisen, his personal representative(s) may exercise the Option up to the Grantee's entitlement as at the date of death (to the extent not already exercised) within a period of 12 months following the date of his death.

(j) Effect of Alterations to Share Capital

In the event of an alteration in the capital structure of our Company, whilst any Option remains exercisable, by way of capitalisation of profits or reserves, bonus issue, rights issue, open offer, subdivision or consolidation of shares, or reduction of the share capital of our Company in accordance with legal requirements and requirements of the Hong Kong Stock Exchange (other than any alteration in the capital structure of our Company as a result of an issue of Shares as consideration in a transaction to which our Company is a party), such corresponding adjustments (if any) shall be made to:

(i) the number or nominal amount of Shares subject to the Option so far as unexercised; or

(ii) the Subscription Price,

or any combination thereof, provided that:

(a) any such adjustments give a Grantee the same proportion of the equity capital of our Company as that to which that Grantee was previously entitled; and

(b) notwithstanding paragraph (j)(a) above, any adjustments as a result of an issue of securities with a price-dilutive element, such as a rights issue, open offer or capitalisation issue, should be based on a scrip factor similar to the one used in accounting standards in adjusting the earnings per share figures (referred to in Hong Kong Accounting Standards 33) and the acceptable adjustments set out in the Supplemental Guidance on Listing Rule 17.03(3) issued by the Hong Kong Stock Exchange on 5 September 2005,

but no such adjustments shall be made to the extent that a Share would be issued at less than its nominal value. In respect of any such adjustments, an independent financial advisor or our auditors must confirm to the Directors in writing that the adjustments are in their opinion fair and reasonable.

(k) Rights on a General Offer by way of Takeover

In the event of a general offer by way of takeover (other than by way of scheme of arrangement) being made to all the Shareholders (or all such Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in association or concert with the offeror) and such offer becomes or is declared unconditional prior to the expiry date of the relevant Option, we shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) shall be entitled to exercise the Option in full (to the extent not already exercised) or to the extent as notified by us at any time within such period as shall be notified by us.

(l) Rights on a General Offer by way of Scheme of Arrangement

In the event of a general offer by way of scheme of arrangement being made to all the Shareholders and has been approved by the necessary number of Shareholders at the requisite meetings, we shall forthwith notify all the Grantees and any Grantee (or his legal personal representative) may at any time thereafter, (but before such time as shall be notified by us) exercise the Option either to its full extent or to the extent notified by us.

(m) Rights on Winding-up

In the event a notice is given by us to the Shareholders to convene a Shareholders' meeting to consider and, if thought fit, approve a resolution to voluntarily wind-up our Company, we shall forthwith give notice thereof to all Grantees and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by us) exercise the Option either to its full extent or to the extent notified by us, and we shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Shares to the Grantee which fall to be issued on such exercise.

(n) Rights on a Compromise or Arrangement

In the event a compromise or arrangement (other than a scheme of arrangement) between us and our members or creditors is proposed in connection with a scheme for the reconstruction or amalgamation of our Company, we shall give notice to all the Grantees on the same date as it gives notice of the meeting to its members or creditors to consider such a compromise or arrangement, and any Grantee (or his legal personal representative) may at any time thereafter (but before such time as shall be notified by us) exercise the Option either to its full extent or to the extent notified by us and we shall as soon as possible and in any event no later than three days prior to the date of the proposed Shareholders' meeting, allot and issue and register in the name of the Grantee such number of Shares which fall to be issued on such exercise.

(o) Ranking of Shares

The Shares to be allotted upon the exercise of an Option shall be subject to all the provisions of the Bye-laws of the Company for the time being in force and shall rank *pari passu* in all respects with the existing fully paid Shares in issue on the date on which these Shares are allotted on exercise of the Option and accordingly shall entitle the holders to participate in all dividend or other distributions paid or made after the date on which the Shares are allotted other than any dividends or distributions previously declared or recommended or resolved to be paid or made if the record date thereof shall be on or before the date on which the Shares are allotted.

(p) Period of the Share Option Scheme

The Share Option Scheme was adopted for a period of 10 years commencing from the Adoption Date. We may, by ordinary resolution in a general meeting or, such date as the board of Directors determines, terminate the Share Option Scheme at any time without prejudice to the exercise of Options granted prior to such termination.

(q) Alterations to the Share Option Scheme

Those specific provisions of the Share Option Scheme which relate to the matters set out in Rule 17.03 of the Hong Kong Listing Rules cannot be altered to the advantage of Participants, and changes to the authority of the Board in relation to any alteration of the terms of the Share Option Scheme shall not be made, in either case, without the prior approval of Shareholders in general meeting. Any alterations to the terms and conditions of the Share Option Scheme which are of a material nature, or any change to the terms of Options granted, must be approved by the Shareholders in general meeting, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The Share Option Scheme so altered must comply with Chapter 17 of the Hong Kong Listing Rules.

(r) Conditions of the Share Option Scheme

The Share Option Scheme shall take effect subject to:

(i) the passing of the resolution by the Shareholders to approve and adopt the Share Option Scheme and to authorise the Board to grant Options thereunder and to allot and issue Shares pursuant to the exercise of any Options;

(ii) the Listing Committee granting approval of the listing of and permission to deal in the Shares which fall to be issued pursuant to the exercise of Options (subject to an initial limit of 10% of the aggregate number of Shares in issue on the Listing Date (being 96,508,800 Shares)); and

(iii) the commencement of trading of the Shares on the Main Board of the Hong Kong Stock Exchange.

(s) Lapse of Option

An Option shall lapse automatically and shall not be exercisable, to the extent not already exercised, on the earliest of:

(i) the expiry of the Option Period;

(ii) the expiry of the periods referred to in paragraphs (h), (i), (k) to (n) above respectively;

(iii) the expiry of the period referred to in paragraph (j) above, subject to any court of competent jurisdiction not making an order to prohibit the offeror from acquiring the remaining Shares in the Offer;

(iv) subject to the scheme of arrangement becoming effective, the expiry of the period referred to in paragraph (l) above;

(v) the date of commencement of the winding-up of the Company;

(vi) the date on which the Grantee ceases to be a Participant as referred to in paragraph (h)(i) above;

(vii) the date on which the Grantee commits a breach by selling, transferring, charging, mortgaging, encumbering or creating any interest in favour of any third party over or in relation to any Option; and

(viii) subject to paragraph (h)(ii), the date the Grantee ceases to be a Participant for any other reason.

(t) Termination of the Share Option Scheme

We, by ordinary resolution in general meeting, or the Board may at anytime terminate the Share Option Scheme and in such event no further Options may be granted but in all other respects the Share Option Scheme shall remain in full force and effect in respect of Options which are granted during the life of the Share Option Scheme and which remain unexpired immediately prior to termination of the operation of the Share Option Scheme.

(u) Restriction on Grant of Option

In addition, a grant of Options may not be made after a price sensitive event has occurred or a price sensitive matter has been the subject of a decision until such price sensitive information has been published in the newspapers or in such other manner as prescribed by the Hong Kong Listing Rules. In particular, during the period commencing one month immediately preceding the earlier of:

(i) the date of the board meeting of our Company (as such date is first notified to the Hong Kong Stock Exchange in accordance with the Hong Kong Listing Rules) for the approval of our results for any year, half-year or any other interim period (whether or not required under the Hong Kong Listing Rules); and

(ii) the deadline for us to publish an announcement of its results for any year or half-year under the Hong Kong Listing Rules, or quarterly or any other interim period (whether or, not required under the Hong Kong Listing Rules),

and ending on the date of the results announcement, no Option may be granted.

(v) Cancellation

Any Options granted but not exercised may be cancelled if the Participant so agrees.

(w) Present Status of the Share Option Scheme

As at the date of this prospectus, no Option has been granted or agreed to be granted pursuant to the Share Option Scheme. The Company may grant options under the Share Option Scheme which will be exercisable within six months from the Listing Date.

E. OTHER INFORMATION

1. Indemnity

Man Wah Investments and Mr. Wong have entered into a deed of indemnity in favour of our Company (for itself and as trustee for each of our present subsidiaries) whereby they have given joint and several indemnities in connection with, among other matters, Hong Kong estate duty which might be payable by any member of our Group by reason of any transfer of property (within the meaning of section 35 of the Estate Duty Ordinance, Chapter 111 of the Laws of Hong Kong) to any member of our Group on or before the date of the fulfillment of the last of the conditions set out in the sub-section entitled "Conditions of the Global Offering" under the section entitled "Structure of the Global Offering" in this prospectus and other taxation (including all fines, penalties, costs, charges, claims, expenses and interests relating to taxation) which may be made against any member of our Group in respect of any income, profits or gains earned, accrued or received on or before the date of the fulfillment of the last of the conditions set out in the sub-section entitled "Conditions of the Global Offering" under the section entitled "Structure of the Global Offering" in this prospectus.

Our Directors have been advised that no material liability for estate duty is likely to fall on any member of our Group in Bermuda.

2. *Litigation*

As at the Latest Practicable Date, save as disclosed above and in the section entitled "Business – Legal Proceedings" in this prospectus, no member of our Group was engaged in any litigation, claim or arbitration of material importance and no litigation, claim or arbitration of material importance is known to our Directors to be pending or threatened against any member of our Group.

3. *Sole Sponsor*

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for the listing of, and permission to deal in, all our Shares in issue and any Shares which may fall to be issued as mentioned herein, including any Shares that may be issued upon the exercise of the Over-allotment Option and any Shares falling to be issued pursuant to the exercise of options which may be granted under the Share Option Scheme. All necessary arrangements have been made enabling such Shares to be admitted to CCASS.

4. *Preliminary Expenses*

The estimated preliminary expenses of our Company are approximately US$28,600 (approximately HK$223,080) and are payable by our Company.

5. *Promoter*

The promoter of our Company is Man Wah Investments. Save as disclosed in this prospectus, no amount or benefit has been paid or given to the promoter in connection with the Global Offering or related transactions described in this prospectus within the two years preceding the date of this prospectus.

6. *Consents of experts*

Each of Macquarie, Deloitte Touche Tohmatsu, DTZ Debenham Tie Leung Limited, Jingtian & Gongcheng and Appleby has given and has not withdrawn its respective written consents to the issue of this prospectus with copies of its reports, valuation certificate, letters, opinions or summaries of opinions (as the case may be) and the references to its names included herein in the form and context in which it is respectively included.

7. Qualification of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Macquarie	Person licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) of the regulated activities as set out in the SFO
Deloitte Touche Tohmatsu	Certified public accountants
DTZ Debenham Tie Leung Limited	Property valuer
Jingtian & Gongcheng	Legal advisers to the Company on PRC laws
Appleby	Legal advisers to the Company on laws of Bermuda

8. Interests of experts in our Company

None of the persons named in the paragraph entitled "Consents of experts" in this Appendix is interested beneficially or otherwise in any Shares or shares of any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares or securities in any member of our Group.

9. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies Ordinance so far as applicable.

10. Miscellaneous

(a) Save as disclosed in this prospectus, within the two years preceding the date of this prospectus,

(i) no share or loan capital of our Company or any of our subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash;

(ii) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries;

(iii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;

(iv) no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any of our Share in our Company or any of our subsidiaries; and

(v) none of the equity and debt securities of the Company is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

(b) Our Directors confirm that:

(i) there has been no material adverse change in our Group's financial position or prospects since 30 September 2009 (being the date to which our Group's latest audited consolidated financial statements were made up); and

(ii) there has not been any interruption in our business which may have or has had a significant effect on our financial position in the 12 months preceding the date of this prospectus.

(c) There are no founder, management or deferred shares or any debenture in our Company or any of our subsidiaries.

(d) All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

(e) The principal register of our members will be maintained in Bermuda by our Bermuda Share Registrar and a register of our members will be maintained in Hong Kong by our Hong Kong Share Registrar. Unless our Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by our register in Hong Kong and may not be lodged in Bermuda.

11. Bilingual prospectuses

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies Ordinance (Exemption of Companies and prospectus from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong). In case of any discrepancies between the English language version and the Chinese language version, the English language version shall prevail.

12. Particulars of Selling Shareholders

Name	Description	Address	Number of Sale Shares
Mr. Francis Lee Fook Wah[Note 1]	A Director	House 9 83 Ma Ling Path Shatin Knoll Shatin, New Territories Hong Kong	2,000,000
Mr. Li Chun Hui	An individual	Group Eight Rongzhong Village Meishan Town Nanan City Fujian Province PRC	13,681,000[Note 2]
Ms. Tai Chun Chun	An individual	Flat F, 28/F, Block 4 Beverly Garden Tseung Kwan O Area 55 Tseung Kwan O New Territories Hong Kong	32,319,000

Notes:

1. Mr. Francis Lee Fook Wah is one of our executive Directors, our Finance Director and Chief Financial Officer.

2. Upon the exercise of the Over-allotment Option, Mr. Li Chun Hui may be required to sell up to an additional 7,200,000 Sale Shares (being 15% of the Sale Shares to be offered by the Selling Shareholders under the International Offering).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES IN HONG KONG

The documents attached to the copy of this prospectus delivered to the Registrar of Companies for registration include:

(a) a copy of each of the **WHITE**, **YELLOW** and **GREEN** Application Forms;

(b) the written consents referred to in the section entitled "E. Other Information – 7. Qualifications of experts" in Appendix VI to this prospectus;

(c) a statement of particulars of the Selling Shareholders; and

(d) a copy of each of the material contracts referred to in the section entitled "B. Further Information About Our Business – Summary of our material contracts" in Appendix VI to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at Richards Butler in association with Reed Smith LLP of 20th Floor, Alexandra House, 16-20 Chater Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

(a) our Memorandum of Association and Bye-laws;

(b) the Accountants' Report prepared by Deloitte Touche Tohmatsu, the text of which is set out in Appendix I to this prospectus;

(c) the audited consolidated financial statements of our Group for the three years ended 31 March 2007, 2008 and 2009 and the six months ended 30 September 2009 and the statement of adjustments;

(d) the report from Deloitte Touche Tohmatsu in respect of the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;

(e) the letters from Deloitte Touche Tohmatsu and the Sole Sponsor relating to the profit forecast, the texts of which are set out in Appendix III to this prospectus;

(f) the letter, summary of values and valuation certificates relating to our property interests prepared by DTZ Debenham Tie Leung Limited, the texts of which are set out in Appendix IV to this prospectus;

(g) the letter prepared by Appleby, our Bermuda legal counsel, summarising certain aspects of the Companies Act, the texts of which are set out in Appendix V to this prospectus;

(h) the letter prepared by Jiantian & Gongcheng, our PRC legal advisers, summarising certain aspects of the PRC laws relating to the property sector as referred to in Appendix IV to this prospectus;

(i) the material contracts referred to in the section entitled "B. Further Information About Our Business – Summary of our material contracts" in Appendix VI to this prospectus;

(j) the written consents referred to in the section entitled "E. Other Information – 6. Consents of experts" in Appendix VI to this prospectus;

(k) the service agreements and letters of appointment referred to in the paragraph entitled "C. Further Information about Directors and Substantial Shareholders – Particulars of the Service Agreements" in Appendix VI to this prospectus;

(l) the rules of the Share Option Scheme;

(m) the legal opinions prepared by Jingtian and Gongcheng in respect of the legality of business, corporate structure, reorganisation, property interest and taxation matters of our Group in the PRC; and

(n) the Companies Act.

MANWAH

敏華控股有限公司

MAN WAH HOLDINGS LIMITED