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

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

Stock code : 396

Annual Report 2010

Contents

興利

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Fang Yan Zau, Alexander

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARIES

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

AUTHORISED REPRESENTATIVES

Mr. Sung Kai Hing
Mr. Wong Kit Wai

PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

LEGAL ADVISERS

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

COMPLIANCE ADVISER

Shenyin Wanguo Capital (H.K.) Limited

AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group
(Bermuda) Limited

STOCK CODE

396

COMPANY WEBSITE

www.hingleehk.com.hk

Financial Summary

(Expressed in Hong Kong dollars)

Consolidated Income Statements

	Year ended 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**506,693**	439,358	534,346	492,669	369,626
Cost of sales	**(383,583)**	(349,071)	(433,344)	(396,438)	(299,526)
Gross profit	**123,110**	90,287	101,002	96,231	70,100
Other income	**3,551**	3,123	1,989	1,962	2,304
Selling and distribution expenses	**(45,819)**	(41,351)	(35,533)	(27,453)	(18,441)
Administrative expenses	**(32,737)**	(29,451)	(33,348)	(28,490)	(22,594)
Profit from operating activities	**48,105**	22,608	34,110	42,250	31,369
Finance costs	**(2,635)**	(623)	(70)	(18)	(481)
Profit before taxation	**45,470**	21,985	34,040	42,232	30,888
Income tax	**(5,170)**	(2,360)	(3,251)	(1,803)	(2,137)
Profit for the year	**40,300**	19,625	30,789	40,429	28,751

Assets and Liabilities

	As at 31 December				
	2010	2009	2008	2007	2006
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**218,997**	188,180	127,943	72,921	16,292
Current assets	**298,779**	225,521	225,216	217,483	217,118
Current liabilities	**208,182**	107,566	111,433	119,654	98,330
Net current assets	**90,597**	117,955	113,783	97,829	118,788
Total assets less current liabilities	**309,594**	306,135	241,726	170,750	135,080
Non-current liabilities	**8,532**	42,518	32,372	–	–
Net assets	**301,062**	263,617	209,354	170,750	135,080
Equity attributable to equity holders of the Company	**301,062**	258,400	205,009	166,684	132,662

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors (the "Board"), I am pleased to present the annual results of Hing Lee (HK) Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") for the year ended 31 December 2010 ("Year 2010").

With the continuous effort in promoting our products and the team-work among different units of the Group as well as the co-operation with our customers, the Group achieved a turnover of HK$506.7 million and a net profit attributable to equity shareholders of the Company of HK$40.0 million for the year 2010, an increase of 15.3% and 113.2% respectively from year 2009. These were due both to the strong performance of our sales in the PRC, particularly the modern furniture series, and the operational efficiency brought about by the full scale operation of our new production plant in Shenzhen. However, our export sales were remained stable and yet to pick up.

DEVELOPMENT OF 2ND PHASE OF NEW SHENZHEN PRODUCTION PLANT

The Group's new production plant in Shenzhen which is equipped with advanced machines and equipments commenced its full scale of operation in year 2010. The plant is the main production base for our modern furniture series. The production plant not only increases the maximum annual production capacity of the Group, but also enhances the production efficiency and resulted in an increase in gross profit margin despite the general increase in costs.

In order for us to further increase our production capacity for our classical furniture and to capture the sales opportunities arising from the increasing disposable income level of the middle class in the PRC, we are constructing the second phase of our Shenzhen production plant. We expect to complete the construction of the second phase production plant in 2011 and have its trial run in middle of 2012. We believe the second phase production plant which will be embedded with advanced machines and equipment will further enhance the overall operational efficiency and production capacity, hence secure orders in excess of our present production constraints and also to produce as much classical home furniture as possible for our high-price point products under the brand name of "Johnston".

Looking forward, the Group will continue to strengthen its position in the medium to high-end home furniture markets with a thorough plan to explore opportunities on distribution network expansion. We are optimistic to the prospect of the furniture industry with anticipation that the increasing proportion of middle to affluent class in China will be the Group's major growth driver in the future. We also acknowledge the fact that we still face same challenges as other players in China - the fluctuation of the price of raw materials, the rise of wages and the uncertainty in economic environment, etc. Despite such challenges, we will endeavor to develop our domestic distribution network and to improve our operational efficiency by further optimizing our production process and to expand our sales network in the PRC, penetrating to the third and fourth tier cities.

APPRECIATION

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

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

Yours faithfully

Sung Kai Hing
Chairman and Chief Executive Officer

Hong Kong, 23 March 2011

Management Discussion and Analysis

BUSINESS REVIEW

During the year under review, the recovery of the global economy, together with the strong PRC economy growth, provided a good business environment. The Group employs the PRC domestic market development as its core strategy. It not only strengthens its relationship with its existing customers, but also strives to extend its PRC domestic sales network to third and fourth tier cities. As a result, the Group managed to enjoy business growth despite the unfavourable environment brought by the Chinese Government's macroeconomic austerity measures.

The new production plant in Shenzhen equipped with advanced equipment commenced its full scale operations during the year under review. The new plant increased the maximum annual production capacity as well as production efficiency of the Group, and laid a foundation for future development of the Group.

Internally, the Group strived to improve the operational efficiency by carrying out study on the production flows and effectively implemented the improvement measures. The materials costs were also effectively controlled through prudent inventory control and procurement management.

During the year under review, the Group acquired an additional 22% equity stake in Hander International Limited ("Hander") and hence its wholly-owned subsidiary namely Dongguan Super Furniture Company Limited, being the mattresses production subsidiary. Together with the 78% already owned by the Group, the acquisition brought the stake of the Group in Hander and Dongguan Super Furniture Company Limited to 100% in total. This additional ownership allows the Group to have further operational control over the design and production of mattresses and further share the profit generated by Hander.

To prepare for the huge market potential in high-price point classical furniture, the Group laid the foundation for its second phase of new production plant in Shenzhen in 2010. The new production plant will be equipped with advanced machines and equipment for the production of high-price point classical furniture. It will increase the maximum annual production capacity of the Group to meet the demand in coming years.

FINANCIAL REVIEW

Turnover

The Group's turnover increased by approximately 15.3% from about HK$439.4 million for the year ended 31 December 2009 to HK$506.7 million for the year ended 31 December 2010. The increase was primarily due to the increases in domestic sales of approximately HK$67.6 million or 25.1%. The increase in the domestic sales during the year was due to the increase in demand of middle to high-end furniture products, in particular the modern furniture series, resulting from increasing demand for the Group's trendy design furniture and the sales network extension.

Gross Profit

During the period under review, the Group's gross profit margin increased by 3.8 percentage point to 24.3% for the year ended 31 December 2010 (2009: 20.5%). The prices of major raw materials (such as MDF board, ironware, paint and sponge) and the costs of transportation have generally increased when compared with the corresponding year of 2009. With the full scale operation of the new plant in Shenzhen, the Group is taking steps to consolidate and restructure some of its operating units to fortify its foundation for future development, and as a result, cost effectiveness and production efficiency are enhanced. These not only offset the impact of the increase in material costs, but also further increase the profitability of the Group.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK$45.8 million for the year ended 31 December 2010, against about HK$41.4 million for the year ended 31 December 2009. The increase in selling and distribution expenses is a result of the increase in staff costs and the general increase of expenses which are in line with the increase in turnover.

Administrative Expenses

For the year ended 31 December 2010, the Group's administrative expenses were approximately HK$32.7 million against about HK$29.5 million for the year ended 31 December 2009, representing an increase of about 11.2%. Such increase was mainly attributable to the addition of the new production plant in Shenzhen and the staff costs associated with it.

Net Profit

The Group's net profit attributable to equity holders of the Company surged by approximately 113.2% from approximately HK$18.8 million for the year ended 31 December 2009 to approximately HK$40.0 million for the year ended 31 December 2010, and the net profit ratio increased from 4.5% to 8.0%.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2010, the Group employed approximately 1,700 employees (2009: approximately 1,100). Salaries are reviewed annually and discretionary bonuses are paid on annual basis with reference to individual performance appraisals, inflation and prevailing market condition. Other benefits available to eligible employees include retirement benefits and medical insurance schemes. Share options may also be granted to eligible employees of the Group and other eligible participants. During the year under review, share options for the subscription of 12,000,000 shares were granted to eligible participants.

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

LIQUIDITY AND FINANCIAL RESOURCES

The Group's overall funding and treasury activities are currently managed and controlled by the senior management. There is no significant change in respect of treasury and financing policies from those of last year.

Management Discussion and Analysis

The Group maintained cash and bank balances of HK$131.7 million as at 31 December 2010 (31 December 2009: HK$86.8 million).

As at 31 December 2010, the Group had bank borrowings amounting to HK$84.0 million (31 December 2009: HK$59.4 million). As at the same date, the gearing ratio (total debt/total equity) was 0.72 (31 December 2009: 0.57).

As at 31 December 2010, the current ratio (current assets/current liabilities) was 1.4 times (31 December 2009: 2.1) and the net current assets amounted to HK$90.6 million (31 December 2009: HK$118.0 million).

SEGMENT INFORMATION

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

FOREIGN CURRENCY RISK

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

CHARGE OF ASSETS

As at 31 December 2010, the Group had banking facilities which were secured by (i) a legal charge over a piece of land located in Longgang, Shenzhen ("Longgang Land"); (ii) a letter of undertaking provided by the Group to mortgage its factory premises being constructed on the Longgang Land upon the availability of ownership certificate; (iii) restricted bank deposits of approximately HK$17.0 million and (iv) corporate guarantees provided by the Company and a subsidiary of the Company.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year under review, the Group commenced its construction of the second phase of the new production plant in Shenzhen. The Group also acquired 22% of the issued share capital of Hander for a total consideration of HK$9.1 million, increasing the Group's ownership in the existing mattress business to 100%. Apart from the aforesaid, the Group did not have any significant investments, acquisitions or disposal of subsidiaries and associated companies during the year under review. The Group will continue to seek opportunities to acquire or cooperate with customers and suppliers in order to generate more returns for our shareholders.

CONTINGENT LIABILITIES

As at 31 December 2010, the Group and the Company had no significant contingent liabilities.

PROSPECTS

The labour market in PRC continues to change forward, rising disposable incomes and the Chinese Government's urbanisation policy in fact giving a rapidly expanding middle class the where with a land confidence to invest in the durable goods and furniture to make their living spaces and standard. With PRC's growing domestic consumption and sound economic fundamentals, the Group believes the furniture business in PRC would continue to be a blooming and prosperous market.

Despite our confidence in the Group's future development, we will continue to exercise caution. There are still a lot of challenges, including the implementation of various macroeconomic austerity measures by the Chinese Central Government to cool down the property market, the increase of material costs and labour costs and Renminbi appreciation, etc. To cope with these challenges, the Group will continue to strengthen its position in the medium to high-end home furniture markets with its plan to explore opportunities on distribution network expansion. To enhance its competitive strength, the Group will continue to actively participate in various international furniture exhibitions and marketing promotions and strengthen its design capacity. With its successful marketing strategies and optimized product mix, the Group is optimistic that it would be able to further expand its market share in the domestic markets, and to increase recognition worldwide particularly in the international market when the global market further recovers.

The Group will also explore potential mergers and acquisition opportunities at appropriate time.

CORPORATE GOVERNANCE

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

The Company has complied with most of the code provisions set out in the Appendix 14 – Code on Corporate Governance Practices (the "Code") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), except for the deviation from the code provision A.2.1 of the Code as described below.

Code provision A.2.1

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

MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules ("Model Code") as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions during the year under review.

BOARD OF DIRECTORS

Composition of the Board

The Board members of the Company currently are:

Executive directors:

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

Non-executive director:

Mr. Fang Yan Zau, Alexander

Independent non-executive directors:

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

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on Pages 17 to 19 in this Annual Report.

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

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

Functions of the Board

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

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

BOARD MEETINGS AND PROCEDURES

The Board met four times during the year ended 31 December 2010. The attendance record of each Director at these regular board meetings is set out in the following table:

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

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

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

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

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

During the year under review, the Audit Committee had held 2 meetings, the attendance of the members is set out below:

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

The audit committee has reviewed the accounting policies and practices adopted by the Group and the annual and interim results of the Group as well as assessed the effectiveness of the Group's internal control and risk management system. The audit committee reported that there was no material uncertainty that cast doubt on the Company's going concern ability.

REMUNERATION COMMITTEE

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

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

One meeting was held during the year ended 31 December 2010 to review the remuneration and incentive package of the senior management. Attendance of the members is set out below:

Directors	Meetings of the Remuneration Committee Held	Meetings of the Remuneration Committee Attended
Mr. Sun Jian	1	1
Ms. Shao Hanqing	1	1
Mr. Kong Hing Ki	1	1

Details of the remuneration of each Director for 2010 is set out in the Note 8 to the consolidated financial statements in this Annual Report. In addition, the Company has adopted a pre-IPO share option scheme (the "Pre-IPO Share Option Scheme") and a share option scheme (the "Share Option Scheme") both on 29 May 2009. The purpose of the Pre-IPO Share Option Scheme is to grant new options to replace the options granted under a share option scheme previously adopted by the Company and to continue to give the participants of the Pre-IPO Share Option Scheme an opportunity to share in the success of the Group and to motivate the participants to optimize their performance and efficiency and also to retain participants whose contributions are important to the long-term growth and profitability of the Group. The purpose of the Share Option Scheme is to enable the Company to grant option to eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward and remunerate the eligible participants.

NOMINATION COMMITTEE

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

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

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Accounts

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

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

EXTERNAL AUDITORS' REMUNERATION

The Company engaged Baker Tilly Hong Kong Limited ("Baker Tilly") as its external auditors for year ended 31 December 2010. Analysis of the remuneration in respect of audit is included in Note 6 to the consolidated financial statements in this Annual Report. No non-audit services have been provided by the external auditors during the year under review.

INTERNAL CONTROLS

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

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

The Audit Committee which comprises all the independent non-executive Directors has the duties to, among other things, review the internal control systems and procedures for compliance with the relevant accounting, financial and Listing Rules requirements.

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

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

Corporate Governance Report

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

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

SHAREHOLDERS' RIGHTS

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

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

PUBLICATION OF AUDITED FINANCIAL RESULTS

The Company's financial results announcement for the financial year ended 31 December 2010 and this Annual Report are published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.hingleehk.com.hk.

DIRECTORS AND SENIOR MANAGEMENT

Executive Director

Mr. Sung Kai Hing (宋啟慶先生), aged 54, is an Executive Director, the chairman and the Chief Executive Officer of the Company and one of the founders of the Group and he has over 16 years of experience in the furniture industry. Mr. Sung was appointed as a Director on 20 April 2004. He is primarily responsible for the overall strategic planning and business development of the Group as well as overseeing the daily operations of the Group. Besides, he is also a director of certain subsidiaries of the Company and a member of the Nomination Committee.

Mr. Sung has been appointed as a part-time instructor with specialisation in business operation, strategic planning and supply chain management at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as (Central South Forestry University)) since June 2004 and November 2004 respectively.

Mr. Cheung Kong Cheung (張港璋先生), aged 49, is an Executive Director and one of the founders of the Group and he has over 16 years of experience in the furniture industry. Mr. Cheung was appointed as a Director on 20 April 2004. He is responsible for the administration and human resources management of the Group. Besides, he is also a director of certain subsidiaries of the Company and a member of the Nomination Committee. He has been appointed as a part-time instructor with specialisation in international trade and trading of home furniture at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as 中南林學院 (Central South Forestry University)) since June 2004 and November 2004 respectively.

Non-executive Director

Mr. Fang Yan Zau, Alexander (方仁宙先生), aged 39, is a Non-Executive Director and was appointed as a Director on 28 July 2006. He has over 10 years of experience in business development. Mr. Fang was a director of Pandatel AG which is a listed public company at Frankfurt Stock Exchange and principally engaged in the provision of telecommunication related services, from January 2006 to 2009. Mr. Fang holds a master of business administration degree in general management from J. L. Kellogg School of Management, Northwestern University and a Bachelor of Science degree in accounting from University of Southern California. Mr. Fang is the son of Mr. Fang Shin who is the controlling shareholder of the Company.

Independent non-executive Director

Mr. Sun Jian (孫堅先生), aged 46, was appointed as an Independent Non-Executive Director on 1 July 2007. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. He has over 11 years of experience in retail businesses and is a director and the chief executive officer of Home Inns & Hotel Management, Inc., a company which is principally engaged in the hotel industry with its shares listed on the National Association of Securities Dealers Automated Quotation System in the U.S.. Mr. Sun obtained a bachelor's degree in hygiene management from 上海醫科大學 (Shanghai Medical University) (subsequently renamed as 復旦大學上海醫學院 (Shanghai Medical College of Fudan University)) in July 1987. He is the vice president of 中國連鎖經營協會 (China Chain Store & Franchise Association).

Ms. Shao Hanqing (邵漢青女士), aged 73, was appointed as an Independent Non-Executive Director on 29 May 2009. She is also the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. She is a part-time professor and a mentor to the doctorate candidates of the economics faculty of 中國人民大學 (Renmin University of China). Ms. Shao was a vice-chairlady of 中國人民政治協商會議廣東省深圳市委員會 (Shenzhen Committee of Chinese People's Political Consultative Conference) from April 1997 to May 2000 and was elected as a fellow in the World Academy of Productivity Science by World Confederation of Productivity Science in 2006. Ms. Shao is an independent director of 方大集團股份有限公司 (China Fangda Group Co., Ltd.), a company listed on 深圳證券交易所 (the Shenzhen Stock Exchange). Ms. Shao obtained a bachelor's degree of national economic planning from 中國人民大學 (Renmin University of China) in 1964.

Mr. Kong Hing Ki (江興琪先生), aged 40, was appointed as an Independent Non-Executive Director on 29 May 2009. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. He has over 11 years of experience in accounting, auditing and finance, gained from international accountancy and commercial firms. Mr. Kong is an Independent Non-Executive Director of KEE Holdings Company Limited, a company whose shares are listed on the Main Board. Mr. Kong holds a bachelor's degree of commerce from Australian National University and a master of business administration degree from Deakin University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

SENIOR MANAGEMENT

Mr. Huang Wei Ye (黃偉業先生), aged 56, is one of the founders of the Group. He joined the Group in 1995 and is the head of the Group's design and development department, as well as the production department, and is responsible for overseeing the design, development and manufacture of the Group's furniture products. He is also a director of certain subsidiaries of the Company. Mr. Huang has over 21 years of experience in the furniture industry. Mr. Huang is currently the Chairman of Shenzhen Furniture Trade Association. Mr. Huang has been appointed as a part-time instructor with specialisation in product design, production strategies and industry trend analysis at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as 中南林學院 (Central South Forestry University)) since 2003. He obtained a master of business administration degree from 北京大學 (Peking University) in July 2007.

Mr. Chan Kwok Kin (陳國堅先生), aged 53, is one of the founders of the Group. Being the head of the sales and marketing department, as well as the procurement department of the Group, he is responsible for formulating the Group's sales and marketing strategies and procurement policies and overseeing the Group's sales and marketing activities. He is also a director of certain subsidiaries of the Company. Mr. Chan has over 16 years of experience in the furniture industry. He was appointed as a part-time instructor with specialisation in sales and marketing strategies and brand development at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as 中南林學院 (Central South Forestry University)) since 2004.

Mr. Wu Guo Long (吳國龍先生), aged 36, is the vice design and development manager of the Group. Since January 2008, he has been appointed as the general manager of Shenzhen Xingli Furniture Company Limited ("Shenzhen Xingli"). Mr. Wu joined the Group in 1996 after graduation from the university and has over 11 years of experience in the furniture industry. He obtained a bachelor's degree in interior and furniture design in 1996 from 中南林學院 (Central South Forestry University) (subsequently renamed as 中南林業科技大學 (Central South University of Forestry and Technology) in 2005).

Mr. Li Xin Min (李新民先生), aged 40, is the production manager of the Group and the head of the production department of the Group's factories in the PRC. He is responsible for overseeing the production operations at all the Group's factories in the PRC. Mr. Li joined the Group in 1997 and has over 11 years of experience in furniture industry. He obtained a diploma in interior and furniture design in June 1998 from 中南林學院 (Central South University of Forestry and Technology) (subsequently renamed as 中南林業科技大學 (Central South University of Forestry and Technology) in 2005).

Mr. Pu Cai Jun (蒲采君先生), aged 48, is the financial controller of the Group. He is responsible for all financial and accounting matters in respect of the PRC subsidiaries of the Group. Mr. Pu joined the Group in 2002 and has over 11 years of experience in financial controlling. He was the finance manager of Dahao Furniture during the period from 1985 to 2002. He obtained a bachelor's degree in accounting from 湖南財經學院 (Hunan Finance and Economics Institute) in July 1991.

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Wong Kit Wai (黃杰偉先生), aged 41, is the chief financial officer and the company secretary of the Group. He is responsible for supervising the Group's financial management and overseeing the company secretarial and compliance affairs of the Group. Mr. Wong joined the Group in January 2007 and has over 10 years of experience in accounting and finance. He obtained a master of business administration degree from Deakin University, Australia and a bachelor of commerce degree from The University of New South Wales. He is a fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Besides, Mr. Wong is an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators, the United Kingdom.

興利 Directors' Report

The board (the "Board") of directors (the "Directors") of the Company are pleased to present to the shareholders this annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2010.

GENERAL INFORMATION

The Company was incorporated in the British Virgin Islands ("BVI") on 20 April 2004 and was re-domiciled and continued in Bermuda with limited liability on 30 March 2007. The registered office address is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES

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

RESULTS

The results of the Group for the year ended 31 December 2010 are set out in the consolidated income statement on page 34 of this annual report.

DIVIDENDS

Interim dividend of HK1.70 cents (30 June 2009: HK1.05 cents) per Share was declared and paid during the year. The Board recommend the payment of a final dividend of HK3.2 cents per Share (2009: HK1.40 cents) to the shareholders whose names appear on the Register of Members of the Company as at the close of business on 2 June 2011. The final dividend will be payable on 9 June 2011 and is subject to the approval of shareholders of the Company in the forthcoming annual general meeting.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 31 May 2011 to 2 June 2011, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 30 May 2011.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The shares of the Company were listed on the Main Board of the Stock Exchange on 22 June 2009. The Group had fully utilized the proceeds from the initial public offering in the manner as set out in the Prospectus.

FIXED ASSETS

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2010 are set out in Note 14 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the Company's paid up capital for the year ended 31 December 2010 are set out in Note 27 to the consolidated financial statements in this annual report.

PRE-IPO SHARE OPTION SCHEME

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

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

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

(c) save for options which have been granted, no further options will be offered or granted as the Pre-IPO Share Option Scheme shall end on the day immediately prior to 22 June 2009 (the date when the Shares were first listed on the Main Board of the Stock Exchange) (the "Listing Date"); and

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

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

As at date of this annual report, options for the subscription of 14,986,695 Shares have been granted to certain Directors and employees of the Group under the Pre-IPO Share Option Scheme. Details of the share options movements during the year ended 31 December 2010 under the Pre-IPO Share Option Scheme are as follows:

	Number of share options						
Name	**Outstanding share options granted under the Pre-IPO Share Option Scheme as at 1 January 2010**	**Date of grant**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding share options granted under the Pre-IPO Share Option Scheme as at 31 December 2010**	**Exercise period**
Directors of the Company							
Mr. Sung Kai Hing	1,498,670	29 May 2009	–	–	–	1,498,670	23/12/2009 – 30/12/2016
Mr. Cheung Kong Cheung	1,498,670	29 May 2009	–	–	–	1,498,670	23/12/2009 – 30/12/2016
Mr. Sun Jian	374,667	29 May 2009	–	–	–	374,667	23/12/2009 – 19/6/2017
	187,334		–	–	–	187,334	20/6/2010 – 19/6/2017
	187,334		–	–	–	187,334	20/6/2011 – 19/6/2017
Other employees							
In aggregate	9,741,350	29 May 2009	–	5,994,675	–	3,746,675	23/12/2009 – 30/12/2016
	374,667		–	–	–	374,667	23/12/2009 – 19/6/2017
	374,668		–	–	–	374,668	31/12/2009 – 30/12/2016
	374,667		–	–	–	374,667	31/12/2010 – 30/12/2016
	187,334		–	–	–	187,334	20/6/2010 – 19/6/2017
	187,334		–	–	–	187,334	20/6/2011 – 19/6/2017
Total	14,986,695		–	5,994,675	–	8,992,020	

Note: (1) The closing price before the date of grant is not available as the Shares were first listed on the Stock Exchange on 22 June 2009.

(2) The weighted average closing price of the Shares immediately before the dates on which the options were exercised was HK$1.44.

SHARE OPTION SCHEME

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

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

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

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company (excluding the share options granted under the Pre-IPO Share Option Scheme) must not, in aggregate, exceed 10% of the issued share capital of the Company as at the Listing Date, such 10% being equivalent to 20,000,000 Shares. As at the date of this report, options for the subscription of 8,000,000 Shares (representing approximately 3.9% of the issued share capital of the Company) are available for issue under the Share Option Scheme.

As at date of this annual report, options for the subscription of 12,000,000 Shares have been granted to certain Directors and employees of the Group under the Share Option Scheme. Details of the share options movements during the year ended 31 December 2010 under the Share Option Scheme are as follows:

	Number of share options							
Name	**Outstanding share options granted under the Share Option Scheme as at 1 January 2010**	**Date of grant**	**Granted during the year**	**Exercised during the year**	**Lapsed during the year**	**Outstanding share options granted under the Share Option Scheme as at 31 December 2010**	**Exercise period**	**Exercise price**
Directors of the Company								
Mr. Sun Jian	–	23 April 2010	150,000	–	–	150,000	23/4/2011 – 22/4/2013	HK$1.422
			150,000	–	–	150,000	1/1/2012 – 22/4/2013	HK$1.422
Mr. Shao Hanqing	–	23 April 2010	150,000	–	–	150,000	23/4/2011 – 22/4/2013	HK$1.422
			150,000	–	–	150,000	1/1/2012 – 22/4/2013	HK$1.422
Mr. Kong Hing Ki	–	23 April 2010	150,000	–	–	150,000	23/4/2011 – 22/4/2013	HK$1.422
			150,000	– –	–	150,000	1/1/2012 – 22/4/2013	HK$1.422
Other employees								
In aggregate	–	23 April 2010	5,550,000	–	–	5,550,000	23/4/2011 – 22/4/2013	HK$1.422
			5,550,000	–	–	5,550,000	1/1/2012 – 22/4/2013	HK$1.422
Total			12,000,000	–	–	12,000,000		

Note: The closing price of the shares of the Company on 22 April 2010 (the day immediately before the date of grant) was HK$1.39 and the exercise price of the share options as set out above is HK$1.422 per Share.

PRE-EMPTIVE RIGHTS

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

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

During the year, the Company and its subsidiaries has not purchased, sold or redeemed any of the Company's listed securities.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 27 to the financial statements in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2010, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda, amounted to HK$118.1 million of which HK$6.59 million has been proposed as a final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 26.5% of the total sales for the year and sales to the largest customer included therein amounted to 9.2% Purchases from the Group's five largest suppliers accounted for approximately 30.3% of the total purchase for the year and purchase from the Group's largest supplier included therein amounted to 8.2%.

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

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive directors:

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

Non-executive director:

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

Independent non-executive directors:

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

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

By virtue of bye-laws 84 of the bye-laws of the Company, the office of certain Directors, namely Mr. Fang Yan Zau, Alexander and Mr. Sun Jian will end at the forthcoming annual general meeting. All of the above Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

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

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

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

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

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 17 to 19 in this annual report.

INTERESTS OF DIRECTORS IN CONTRACTS

During the year ended 31 December 2010, none of the Directors had a material interest, whether directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries or affiliates was a party.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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

As at 31 December 2010, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be entered into the register required to be kept under section 352 of the SFO or otherwise were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and/or the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

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

Name of Director/ chief executive	Nature of interests	Number of Shares	Approximate percentage of the issued share capital of the Company
Mr. Sung Kai Hing *(note 1)*	Interest of a controlled corporation	18,280,155	8.87%
Mr. Cheung Kong Cheung *(note 2)*	Interest of a controlled corporation	18,280,155	8.87%

Notes:

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

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

(ii) Rights to acquire shares or debentures

As at 31 December 2010, details of the share options granted by the Company to the Directors were as follows:

Name of Director	Date of grant	Exercise price	Exercise period	Outstanding as at 31 December 2010
Mr. Sung Kai Hing	29 May 2009	HK$1.0647	23 December 2009 to 30 December 2016	1,498,670
Mr. Cheung Kong Cheung	29 May 2009	HK$1.0647	23 December 2009 to to 30 December 2016	1,498,670
Mr. Sun Jian	29 May 2009	HK$1.0647	23 December 2009 to 19 June 2017	374,667
			20 June 2010 to 19 June 2017	187,334
			20 June 2011 to 19 June 2017	187,334
	23 April 2010	HK$1.4220	23 April 2011 to 22 April 2013	150,000
			1 January 2012 to 22 April 2013	150,000
Ms. Shao Hanqing	23 April 2010	HK$1.4220	23 April 2011 to 22 April 2013	150,000
			1 January 2012 to 22 April 2013	150,000
Mr. Kong Hing Ki	23 April 2010	HK$1.4220	23 April 2011 to 22 April 2013	150,000
			1 January 2012 to 22 April 2013	150,000
				4,646,675

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

Save as disclosed above, as at 31 December 2010, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares and debentures of the Company and its associate corporations (within the meaning of Part XV of the SFO), which were required to be entered into the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2010, the persons (not being a Director or chief executive of the Company) who have interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares of HK$0.01 each

Name	Capacity	Number of Shares	Approximate percentage of shareholding %	Note
Triple Express Enterprises Limited ("Triple Express")	Beneficial owner	67,964,104	32.99	1
Mr. Fang Shin	Interest of a controlled corporation	67,964,104	32.99	1
Mrs. Fang Chang Rose Jean	Family interests	67,964,104	32.99	1
King Right Holdings Limited ("King Right")	Beneficial owner	18,280,155	8.87	2
Ms. Wong Wai King	Family interests	18,280,155	8.87	2
United Sino Limited ("United Sino")	Beneficial owner	18,280,155	8.87	3
Ms. Li Xin	Family interests	18,280,155	8.87	3
Golden Sunday Limited	Beneficial owner	18,280,155	8.87	4
Mr. Chan Kwok Kin	Interest of a controlled corporation	18,280,155	8.87	4
Ms. Ho Fung Ying	Family interests	18,280,155	8.87	4
Top Right Trading Limited	Beneficial owner	17,195,431	8.35	5
Mr. Huang Wei Ye	Interest of a controlled corporation	17,195,431	8.35	5
Ms. Ye Jian Qun	Family interests	17,195,431	8.35	5

Notes:

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

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

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

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

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

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

Events after the reporting period

There are no significant events subsequent to 31 December 2010 which would materially affect the Group's and the Company's operating and financial performance as of the date of this annual report.

Corporate Governance

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 10 to 16 of this annual report.

Sufficiency of Public Float

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

AUDITORS

After the resignation of Moore Stephens as auditors of the Company on 29 October 2009, Baker Tilly Hong Kong Limited ("Baker Tilly") was appointed as the auditors of the Company on 2 November 2009. Baker Tilly shall hold office until the conclusion of the forthcoming annual general meeting. Baker Tilly, being eligible, will offer themselves for reappointment. A resolution for reappointment of Baker Tilly as auditors of the Company is to be proposed at the forthcoming annual general meeting.

APPRECIATION

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

By Order of the Board of
Hing Lee (HK) Holdings Limited
Sung Kai Hing
Chairman and Chief Executive Officer
Hong Kong, 23 March 2011

Independent Auditor's Report

BAKER TILLY
HONG KONG LIMITED
CERTIFIED PUBLIC ACCOUNTANTS
天職香港會計師事務所有限公司
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Independent auditor's report to the shareholders of
Hing Lee (HK) Holdings Limited
(Incorporated in the British Virgin Islands and re-domiciled and continued in Bermuda with limited liability)

We have audited the consolidated financial statements of Hing Lee (HK) Holdings Limited (the "Company") and its subsidiaries (together referred to as the "Group") set out on pages 34 to 106, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 23 March, 2011
Lo Wing See
Practising certificate number P04607

Consolidated income statement

Year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 HK$'000	2009 HK$'000
Turnover	4	**506,693**	439,358
Cost of sales		**(383,583)**	(349,071)
Gross profit		**123,110**	90,287
Other income	5	**3,551**	3,123
Selling and distribution expenses		**(45,819)**	(41,351)
Administrative expenses		**(32,737)**	(29,451)
Profit from operating activities		**48,105**	22,608
Finance costs	6(a)	**(2,635)**	(623)
Profit before taxation	6	**45,470**	21,985
Income tax	7	**(5,170)**	(2,360)
Profit for the year		**40,300**	19,625
Attributable to:			
Equity shareholders of the Company		**40,003**	18,760
Non-controlling interests		**297**	865
Profit for the year		**40,300**	19,625
Earnings per share (HK cents)	12		
– Basic		**19.89**	10.63
– Diluted		**19.61**	10.54

The notes on pages 42 to 106 form part of the consolidated financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 27(b).

Consolidated statement of comprehensive income

Year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 HK$'000	2009 HK$'000
Profit for the year		**40,300**	19,625
Other comprehensive income for the year	*11*		
Exchange differences on translation of financial statements of overseas subsidiaries		**7,528**	271
Changes in fair value of available-for-sale investments recognised during the year		**(1,031)**	3,604
		6,497	3,875
Total comprehensive income for the year		**46,797**	23,500
Attributable to:			
Equity shareholders of the Company		**46,500**	22,628
Non-controlling interests		**297**	872
Total comprehensive income for the year		**46,797**	23,500

The notes on 42 to 106 form part of the consolidated financial statements.

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Consolidated statement of financial position

As at 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Property, plant and equipment	14	**163,214**	132,012
Prepaid lease payments	15	**48,503**	47,906
Available-for-sale investments	17	**7,280**	8,262
		218,997	188,180
Current assets			
Prepaid lease payments	15	**1,066**	1,030
Inventories	18	**80,715**	68,662
Trade debtors and bills receivable	19	**31,044**	27,661
Prepayments, deposits and other receivables		**37,252**	27,207
Restricted bank deposits	20	**17,040**	14,188
Cash and cash equivalents	21	**131,662**	86,773
		298,779	225,521
Current liabilities			
Trade payables	22	**77,800**	48,052
Other payables and accrued charges		**53,427**	41,715
Current portion of secured bank loans	23	**75,424**	16,850
Current taxation	24	**1,531**	949
		208,182	107,566
Net current assets		**90,597**	117,955
Total assets less current liabilities		**309,594**	306,135
Non-current liabilities			
Non-current portion of secured bank loans	23	**8,532**	42,518
NET ASSETS		**301,062**	263,617

Consolidated statement of financial position

As at 31 December 2010
(Expressed in Hong Kong dollars)

	Note	**2010** **HK$'000**	2009 HK$'000
CAPITAL AND RESERVES			
Share capital	*27*	**2,060**	2,000
Reserves		**299,002**	256,400
Total equity attributable to equity shareholders of the Company		**301,062**	258,400
Non-controlling interests		**–**	5,217
TOTAL EQUITY		**301,062**	263,617

Approved and authorised for issue by the board of directors on 23 March, 2011.

Sung Kai Hing
Director

Cheung Kong Cheung
Director

The notes on pages 42 to 106 form part of the consolidated financial statements.

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Statement of financial position

As at 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 HK$'000	2009 HK$'000
Non-current assets			
Investments in subsidiaries	16	**156**	156
Current assets			
Prepayments, deposits and other receivables		**4**	265
Dividend receivable from a subsidiary	16	**61,175**	61,175
Amounts due from subsidiaries	16	**53,461**	60,741
Cash and cash equivalents	21	**12,674**	17,386
		127,314	139,567
Current liabilities			
Other payables and accrued charges		**1,419**	696
Amounts due to subsidiaries	16	**–**	12,063
		1,419	12,759
Net current assets		**125,895**	126,808
NET ASSETS		**126,051**	126,964
CAPITAL AND RESERVES	27		
Share capital		**2,060**	2,000
Reserves		**123,991**	124,964
TOTAL EQUITY		**126,051**	126,964

Approved and authorised for issue by the board of directors on 23 March, 2011.

Sung Kai Hing
Director

Cheung Kong Cheung
Director

The notes on pages 42 to 106 form part of the consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company											
		Share capital	Share premium	Exchange reserve	Statutory reserve fund	Merger reserve	Share option reserve	Fair value reserve	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
		(note 27(c))	(note 27(d)(i))	(note 27(d)(ii))	(note 27(d)(iii))	(note 27(d)(iv))	(note 27(d)(v))	(note 27(d)(vi))	(note 27(d)(vii))				
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2009		387	44,350	20,553	5,750	25,430	5,110	–	–	103,429	205,009	4,345	209,354
Changes in equity for 2009:													
Equity-settled share-based transactions		–	–	–	–	–	466	–	–	–	466	–	466
Capitalisation issue		1,113	(1,113)	–	–	–	–	–	–	–	–	–	–
Shares issued upon placing and public offer		500	31,897	–	–	–	–	–	–	–	32,397	–	32,397
Appropriation of reserve		–	–	–	1,324	–	–	–	–	(1,324)	–	–	–
Dividend declared in respect of the current year	27(b)	–	–	–	–	–	–	–	–	(2,100)	(2,100)	–	(2,100)
Total comprehensive income for the year		–	–	264	–	–	–	3,604	–	18,760	22,628	872	23,500
Balance at 31 December 2009 and 1 January 2010		2,000	75,134	20,817	7,074	25,430	5,576	3,604	–	118,765	258,400	5,217	263,617
Changes in equity for 2010:													
Acquisition of non-controlling interests without a change in control	28	–	–	–	–	–	–	–	(6,486)	–	(6,486)	(5,514)	(12,000)
Equity-settled share-based transactions		–	–	–	–	–	2,465	–	–	–	2,465	–	2,465
Shares issued under share option scheme		60	8,489	–	–	–	(2,166)	–	–	–	6,383	–	6,383
Appropriation of reserve		–	–	–	1,691	–	–	–	–	(1,691)	–	–	–
Dividend declared in respect of the current year	27(b)	–	–	–	–	–	–	–	–	(6,200)	(6,200)	–	(6,200)
Total comprehensive income for the year		–	–	7,528	–	–	–	(1,031)	–	40,003	46,500	297	46,797
Balance at 31 December 2010		2,060	83,623	28,345	8,765	25,430	5,875	2,573	(6,486)	150,877	301,062	–	301,062

The notes on pages 42 to 106 form part of the consolidated financial statements.

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Consolidated cash flow statement

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 HK$'000	2009 HK$'000
Operating activities			
Profit before taxation		**45,470**	21,985
Adjustments for:			
Amortisation of prepaid lease payments	*6(c)*	**1,066**	1,030
Depreciation	*6(c)*	**8,026**	5,162
Dividend income from available-for-sale investments	*5*	**(112)**	(121)
Equity-settled share-based payment expenses		**2,465**	466
Impairment of inventories (reversed)/recognised	*6(c)*	**(2,746)**	3,095
Impairment of trade receivables (reversed)/recognised	*6(c)*	**(3,426)**	2,266
Interest expense	*6(a)*	**2,635**	623
Interest income	*5*	**(305)**	(101)
Loss on disposal of property, plant and equipment (net)	*6(c)*	**487**	–
Operating profit before changes in working capital		**53,560**	34,405
Increase in inventories		**(6,923)**	(4,200)
Decrease in trade debtors and bills receivable		**850**	4,663
Increase in prepayments, deposits and other receivables		**(9,099)**	(2,542)
Increase/(decrease) in trade payables		**31,361**	(13,251)
Increase in other payables and accrued charges		**10,164**	6,884
Decrease in amount due to a related company		**–**	(749)
Cash generated from operations		**79,913**	25,210
Interest received		**305**	101
Interest paid		**(2,635)**	(4,112)
Hong Kong Profits Tax refunded/(paid)		**174**	(2,803)
PRC Enterprises Income Tax paid		**(4,730)**	(2,444)
Net cash generated from operating activities		**73,027**	15,952

Consolidated cash flow statement

For the year ended 31 December 2010
(Expressed in Hong Kong dollars)

	Note	2010 HK$'000	2009 HK$'000
Investing activities			
Acquisition of non-controlling interests		**(9,100)**	–
Increase in restricted bank deposits		**(2,360)**	(4,243)
Dividends received from available-for-sale investments		**112**	121
Purchase of property, plant and equipment		**(35,194)**	(59,126)
Purchase of available-for-sale investments		**(47)**	(10)
Proceeds from disposal of property, plant and equipment		**120**	–
Net cash used in investing activities		**(46,469)**	(63,258)
Financing activities			
Proceeds from placing and public offer		**–**	32,397
Proceeds from shares issued under share option scheme		**6,383**	–
Proceeds from new secured bank loans		**72,500**	28,394
Repayment of secured bank loans		**(49,973)**	(12,909)
Dividends paid		**(6,200)**	(2,100)
Net cash generated from financing activities		**22,710**	45,782
Net increase/(decrease) in cash and cash equivalents		**49,268**	(1,524)
Cash and cash equivalents at beginning of the year		**86,773**	88,208
Effect of foreign exchange rate changes		**(4,379)**	89
Cash and cash equivalents at end of the year	21	**131,662**	86,773

The notes on pages 42 to 106 form part of the consolidated financial statements.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)

1 COMPANY INFORMATION

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). A summary of the significant accounting policies adopted by the Group and the Company is set out below.

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

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries (together referred to as the "Group").

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

(c) Subsidiaries and non-controlling interests

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

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

Non-controlling interests (previously known as "minority interests") represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Subsidiaries and non-controlling interests (continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated income statement and the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(g)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(d) Other investments in debt and equity securities

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

(e) Property, plant and equipment

Items of property, plant and equipment, other than construction in progress, are stated in the statement of financial position at cost less accumulated depreciation and impairment losses (see note 2(g)).

Construction in progress represents property, plant and equipment under construction and equipment pending installation and is stated at cost less impairment losses (see note 2(g)). Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use was completed.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Property, plant and equipment (continued)

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

Buildings	Over the lease terms
Leasehold improvements	20% or over the lease terms, whichever is shorter
Motor vehicles	18% – 20%
Office equipment	10% – 20%
Plant and machinery	10% – 33.33%

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

(f) Leased assets

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

(i) Classification of assets leased to the Group

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leased assets (continued)

(ii) Operating lease charges

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

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

(g) Impairment of assets

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

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

– significant financial difficulty of the debtor;

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets (continued)

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets (continued)

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

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

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

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

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

(ii) Impairment of other assets

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

– property, plant and equipment (other than properties carried at revalued amounts);

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Trademarks and patents

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

(i) Inventories

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

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

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

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

(j) Trade and other receivables

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

(k) Interest-bearing borrowings

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

(l) Trade and other payables

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Cash and cash equivalents

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

(n) Employee benefits

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

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

(ii) Share-based payments

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

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

(iii) Termination benefits

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Income tax (continued)

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

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

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

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

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

  - the same taxable entity; or

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

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

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

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

(ii) Other provisions and contingent liabilities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Revenue recognition

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

(i) *Sale of goods*

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

(ii) *Licensing income*

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

(iii) *Interest income*

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

(iv) *Dividends*

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

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

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of each reporting period. Exchange gains and losses are recognised in profit or loss.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Translation of foreign currencies (continued)

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into Hong Kong dollars at the closing foreign exchange rates at the end of each reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(s) Borrowing costs

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

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

(t) Related parties

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Related parties (continued)

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

(u) Segment reporting

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

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

3 CHANGES IN ACCOUNTING POLICIES

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

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*
- Amendment to HKAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*
- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, *Distributions of non-cash assets to owners*
- HK (Int) 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*

Other than as noted below, the adoption of the new HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

3 CHANGES IN ACCOUNTING POLICIES (continued)

HKFRS 3 (Revised) – Business Combinations and HKAS 27(Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no material impact to the consolidated financial statements as the amendment was consistent with policies already adopted by the Group.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no material impact to the consolidated financial statements as the amendment was consistent with policies already adopted by the Group.

HKAS 17 (Amendments) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group has reassessed the classification of leasehold land of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases and concluded that the classification of such leases as operating leases continues to be appropriate.

3 CHANGES IN ACCOUNTING POLICIES (continued)

HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has had no effect on the reported classification of borrowings in previous year, accordingly, no retrospective reclassification is presented.

4 TURNOVER

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

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

	2010	2009
	HK$'000	HK$'000
Turnover		
Sale of goods	**481,386**	428,747
Licensing income	**25,307**	10,611
	506,693	439,358

5 OTHER INCOME

	2010 HK$'000	2009 HK$'000
Bank interest income	**305**	101
Dividend income from available-for-sale investment	**112**	121
Government subsidy	**2,470**	129
Overprovision of tax penalty	**–**	2,417
Others	**664**	355
	3,551	3,123

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2010 HK$'000	2009 HK$'000
Interest on secured bank loans repayable within 5 years (i)	**2,612**	4,112
Interest on short-term borrowing	**23**	–
Total borrowing costs	**2,635**	4,112
Less: interest capitalised (ii)	**–**	(3,489)
	2,635	623

(i) The analysis shows the finance costs of bank loans, including these which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements. The interest on bank borrowings for the year which contain a repayment on demand clause was HK$1,921,000 (2009: nil).

(ii) Interest has been capitalised to construction in progress at an average annual rate of nil% (2009: 7.92%) during the year.

6 PROFIT BEFORE TAXATION (continued)

(b) Staff costs

	2010 HK$'000	2009 HK$'000
Directors' remuneration (note 8)	**3,545**	3,319
Wages and salaries	**64,597**	43,597
Equity-settled share-based payment expenses *	**2,148**	299
Retirement scheme contributions *	**4,128**	2,705
	74,418	49,920

* excluded amount paid to directors

(c) Other items

	2010 HK$'000	2009 HK$'000
Auditors' remuneration	**883**	800
Amortisation of prepaid lease payments	**1,066**	1,030
Bad debts written off	**183**	501
Cost of inventories sold (i)	**383,583**	349,071
Depreciation	**8,026**	5,162
Exchange (gain)/loss, net	**(245)**	397
Impairment of inventories (reversed)/recognised	**(2,746)**	3,095
Impairment of trade receivables (reversed)/recognised	**(3,426)**	2,266
Loss on disposal of property, plant and equipment, net	**487**	–
Operating lease rentals: minimum lease payments		
– land and buildings	**9,362**	8,927

(i) Cost of inventories sold includes HK$56,829,000 (2009: HK$45,268,000) relating to staff costs, depreciation and amortisation expenses, operating lease charges and impairment for inventories, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2010 HK$'000	2009 HK$'000
Current year provision		
– Hong Kong Profits Tax	52	–
– PRC Enterprise Income Tax	3,385	2,159
Prior year underprovision/(overprovision)		
– Hong Kong Profits Tax	(174)	(1)
– PRC Enterprise Income Tax	1,907	202
	5,170	2,360

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

	2010 HK$'000	2009 HK$'000
Profit before taxation	45,470	21,985
Notional tax on profit before taxation	7,503	3,628
Tax effect of non-deductible expenses (v)	280	2,199
Tax effect of non-taxable income (vi)	(6,953)	(3,274)
Tax effect of different tax rates of subsidiaries operating in the PRC	917	(761)
Tax effect of unrecognised temporary differences	7	37
Tax effect of utilisation of tax losses not recognised previously	213	(162)
Tax effect of unused tax losses not recognised	1,456	467
Prior year underprovision	1,733	201
Others	14	25
Actual tax expense	5,170	2,360

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

(ii) The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%) of the estimated assessable profit for the year.

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

(iii) Hing Lee Ideas Limited is subject to Company Income Tax in Malaysia. No provision for 2010 (2009: Nil) is made as it has been dormant since its incorporation.

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

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

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

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

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

Shenzhen Xingli Furniture Company Limited was subject to the PRC EIT rate of 22% in 2010 (2009: 20%).

Shenzhen Xingli Zundian Furniture Company Limited was exempted from the PRC EIT for its first two profitable years, commencing from 1 January 2005, and thereafter was entitled to a 50% tax reduction in the PRC EIT for the subsequent three consecutive years to 31 December 2009. Under the New EIT Law, Shenzhen Xingli Zundian Furniture Company Limited was subject to the PRC EIT rate of 22% for 2010 (2009: 10%).

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

7 INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT (continued)

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

8 DIRECTORS' REMUNERATION

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

	2010					
Name of director	Directors' fees HK$'000	Salaries HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total HK$'000
Chairman						
Sung Kai Hing	1,402	-	12	1,414	-	1,414
Executive directors						
Cheung Kong Cheung	1,402	-	12	1,414	-	1,414
Fang Yan Zau, Alexander	100	-	-	100	-	100
Independent non-executive directors						
Sun Jian	100	-	-	100	217	317
Kong Hing Ki	100	-	-	100	50	150
Shao Hanqing	100	-	-	100	50	150
	3,204	-	24	3,228	317	3,545

8 DIRECTORS' REMUNERATION (continued)

	2009					
Name of director	Directors' fees HK$'000	Salaries HK$'000	Retirement scheme contributions HK$'000	Sub-total HK$'000	Share-based payments HK$'000	Total HK$'000
Chairman						
Sung Kai Hing	–	1,002	12	1,014	–	1,014
Executive directors						
Cheung Kong Cheung	–	1,002	12	1,014	–	1,014
Chan Kwok Kin	–	455	6	461	–	461
Huang Wei Ye	–	402	9	411	–	411
Fang Yan Zau, Alexander	–	59	–	59	–	59
Fang Shin	–	–	–	–	–	–
Li Sui Lin, Alice	–	–	–	–	–	–
Independent non-executive directors						
Sun Jian	75	–	–	75	167	242
Kong Hing Ki	59	–	–	59	–	59
Shao Hanqing	59	–	–	59	–	59
	193	2,920	39	3,152	167	3,319

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

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the Directors' Report and note 26.

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

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

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

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2009: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2009: three) individuals are as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries and other emoluments	**2,736**	2,979
Retirement scheme contributions	**45**	44
Share-based payments	**299**	299
	3,080	3,322

The emoluments of the three (2009: three) individuals with the highest emoluments are within the following bands:

	2010 **Number of individuals**	2009 Number of individuals
HK$1,000,001 to HK$1,500,000	**3**	3

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of HK$3,561,000 (2009: profit of HK$44,397,000), which has been dealt with in the financial statements of the Company.

11 OTHER COMPREHENSIVE INCOME

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

	2010			2009		
	Before tax amount HK$'000	**Tax expense HK$'000**	**Net-of-tax amount HK$'000**	Before tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000
Exchange differences on translation of financial statements of overseas subsidiaries	**7,528**	**-**	**7,528**	271	–	271
Changes in fair value of available-for-sale investments recognised during the year	**(1,031)**	**-**	**(1,031)**	3,604	–	3,604
Other comprehensive income	**6,497**	**-**	**6,497**	3,875	–	3,875

12 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$40,003,000 (2009: HK$18,760,000) and the weighted average number of ordinary shares of the Company in issue during the year ended 31 December 2010 of 201,100,392 (2009: 176,438,356) ordinary shares. The weighted average of 201,100,392 (2009: 176,438,356) shares in issue during the year is calculated as follows:

	2010 Number of shares	2009 Number of shares
Issued ordinary shares at 1 January 2010	**200,000,000**	–
Shares issued upon capitalisation	**-**	150,000,000
Effect of shares issued under placing and public offering ("Share Offer") on 22 June 2009	**-**	26,438,356
Effect of shares option exercised	**1,100,392**	–
Weighted average number of ordinary shares at 31 December	**201,100,392**	176,438,356

(Expressed in Hong Kong dollars)

12 EARNINGS PER SHARE (continued)

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$40,003,000 (2009: HK$18,760,000) and the weighted average number of ordinary shares (diluted) of 204,004,679 shares (2009: 178,036,618 shares), calculated as follows:

	2010 Number of shares	2009 Number of shares
Weighted average number of ordinary shares at 31 December	**201,100,392**	176,438,356
Effect of deemed issue of shares under the Company's share option scheme for nil consideration (note 26)	**2,904,287**	1,598,262
Weighted average number of ordinary shares (diluted) at 31 December	**204,004,679**	178,036,618

13 SEGMENT REPORTING

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

Home furniture: Design, manufacture, sale and marketing of home furniture and bed mattresses

Branded distribution: Licensing of own brand names

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

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

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

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

13 SEGMENT REPORTING (continued)

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments for the years ended 31 December 2010 and 2009 is set out below:

	2010				2009			
	Home furniture HK$'000	Branded distribution HK$'000	Unallocated HK$'000	Consolidated HK$'000	Home furniture HK$'000	Branded distribution HK$'000	Unallocated HK$'000	Consolidated HK$'000
Revenue from external customers	**481,386**	**25,307**	**-**	**506,693**	428,747	10,611	–	439,358
Interest income	**-**	**-**	**305**	**305**	–	–	101	101
Interest expense	**-**	**-**	**2,635**	**2,635**	–	–	623	623
Depreciation and amortisation	**9,092**	**-**	**-**	**9,092**	6,192	–	–	6,192
Reportable segment profit	**31,632**	**25,281**	**-**	**56,913**	14,663	10,589	–	25,252
Other material non-cash items:								
Impairment of trade receivables (reversed)/recognised	**(3,426)**	**-**	**-**	**(3,426)**	2,266	–	–	2,266
Impairment of inventories (reversed)/recognised	**(2,746)**	**-**	**-**	**(2,746)**	3,095	–	–	3,095
Reportable segment assets	**463,434**	**18,389**	**35,953**	**517,776**	377,421	5,369	30,911	413,701
Expenditures for non-current assets	**133,627**	**-**	**2,377**	**136,004**	62,615	–	–	62,615
Reportable segment liabilities	**208,318**	**16**	**8,380**	**216,714**	148,181	16	1,887	150,084

13 SEGMENT REPORTING (continued)

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

	2010	2009
	HK$'000	HK$'000
Revenues		
Reportable segment revenue – Consolidated turnover	**506,693**	439,358
Profit or loss		
Reportable segment profit	**56,913**	25,252
Other income	**3,551**	3,123
Unallocated amounts:		
Interest expense	**(2,635)**	(623)
Other head office and corporate expenses	**(12,359)**	(5,767)
Consolidated profit before taxation	**45,470**	21,985
Assets		
Total assets for reportable segments	**481,823**	382,790
Available-for-sale investments *	**7,280**	8,262
Unallocated head office and corporate assets	**28,673**	22,649
Consolidated total assets	**517,776**	413,701
Liabilities		
Total liabilities for reportable segments	**208,334**	148,197
Current taxation	**1,531**	949
Unallocated head office and corporate liabilities	**6,849**	938
Consolidated total liabilities	**216,714**	150,084

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

13 SEGMENT REPORTING (continued)

(c) Geographic information

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

	2010		2009	
	Revenues from external customers HK$'000	**Specified non-current assets HK$'000**	Revenues from external customers HK$'000	Specified non-current assets HK$'000
Asia (excluding the People's Republic of China ("PRC"))	**152,057**	**2,385**	112,066	1,143
Europe	**10,550**	**–**	24,901	–
PRC	**336,744**	**209,332**	269,193	178,775
Others	**7,342**	**–**	33,198	–
	506,693	**211,717**	439,358	179,918

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

14 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2009	–	3,161	4,386	2,940	41,733	49,068	101,288
Exchange realignment	–	4	3	3	55	79	144
Additions	–	–	710	1,058	11,866	48,981	62,615
At 31 December 2009	–	3,165	5,099	4,001	53,654	98,128	164,047
At 1 January 2010	–	3,165	5,099	4,001	53,654	98,128	164,047
Exchange realignment	–	97	84	107	1,613	3,408	5,309
Additions	4,545	–	2,702	1,217	12,794	13,936	35,194
Disposals	–	–	(1,614)	(119)	–	–	(1,733)
Reallocations	95,072	–	–	11,844	362	(107,278)	–
At 31 December 2010	99,617	3,262	6,271	17,050	68,423	8,194	202,817
Accumulated depreciation							
At 1 January 2009	–	2,241	2,584	1,913	20,112	–	26,850
Exchange realignment	–	3	1	2	17	–	23
Charge for the year	–	436	581	345	3,800	–	5,162
At 31 December 2009	–	2,680	3,166	2,260	23,929	–	32,035
At 1 January 2010	–	2,680	3,166	2,260	23,929	–	32,035
Exchange realignment	–	85	36	49	498	–	668
Charge for the year	1,363	195	784	569	5,115	–	8,026
Written back on disposals	–	–	(1,008)	(118)	–	–	(1,126)
At 31 December 2010	1,363	2,960	2,978	2,760	29,542	–	39,603
Net book value							
At 31 December 2010	98,254	302	3,293	14,290	38,881	8,194	163,214
At 31 December 2009	–	485	1,933	1,741	29,725	98,128	132,012

At 31 December 2010, the Group had pledged its buildings and construction in progress with carrying value of HK$106,448,000 (2009: HK$98,128,000) to secure general banking facilities granted to the Group (note 23).

15 PREPAID LEASE PAYMENTS

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

	The Group HK$'000
Cost	
At 1 January 2009	51,421
Exchange realignment	82
At 31 December 2009	51,503
At 1 January 2010	51,503
Exchange realignment	1,788
At 31 December 2010	53,291
Accumulated amortisation	
At 1 January 2009	1,535
Exchange realignment	2
Charge for the year	1,030
At 31 December 2009	2,567
At 1 January 2010	2,567
Exchange realignment	89
Charge for the year	1,066
At 31 December 2010	3,722
Net book value	
At 31 December 2010	49,569
At 31 December 2009	48,936

15 PREPAID LEASE PAYMENTS (continued)

An analysis for reporting purposes is as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Current portion	**1,066**	1,030
Non-current portion	**48,503**	47,906
	49,569	48,936

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

At 31 December 2010, the Group had pledged its leasehold land with carrying values of HK$49,569,000 (2009: HK$48,936,000) to secure general banking facilities granted to the Group (note 23).

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

16 INVESTMENTS IN AND ACCOUNTS WITH SUBSIDIARIES

	The Company	
	2010	2009
	HK$'000	HK$'000
Unlisted shares, at cost	**156**	156
Dividend receivable from a subsidiary	**61,175**	61,175
Amounts due from subsidiaries	**53,461**	60,741
Amounts due to subsidiaries	**–**	12,063

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

(Expressed in Hong Kong dollars)

16 INVESTMENTS IN AND ACCOUNTS WITH SUBSIDIARIES (continued)

Details of the Group's subsidiaries as at 31 December 2010 and 2009 are as below:

Name of company	Place of incorporation and registration	Particulars of issued and fully paid-up share capital/ registered capital	Proportion of Group's ownership interest 2010	2009	Principal activity
Directly held by the Company					
Great Ample Holdings Limited ("Great Ample")	BVI	US$20,001	**100%**	100%	Investment holding
Indirectly held through subsidiaries					
Glory Skill Investments Limited	BVI	US$2,961	**100%**	100%	Investment holding
Springrich Investments Limited	BVI	US$1	**100%**	100%	Investment holding
Success Profit International Limited	BVI	US$10,001	**100%**	100%	Investment holding
Hing Lee (China) Company Limited ("Hing Lee (China)")	Hong Kong	HK$18,010,000	**100%**	100%	Investment holding and provision of management services
Hing Lee Furniture Company Limited ("Hing Lee Furniture")	BVI	US$1	**100%**	100%	Trading of furniture
Sharp Motion Worldwide Limited ("Sharp Motion")	BVI	US$4	**100%**	100%	Trademark holding/licensing
Hing Lee Ideas Limited	Malaysia	US$1	**100%**	100%	Dormant
Renowned Idea Group Limited	BVI	US$1	**100%**	100%	Dormant
Hing Lee Furniture Group Limited ("HLFG")	Hong Kong	HK$3	**100%**	100%	Dormant
Hander International Limited ("Hander International")	Hong Kong	HK$100	**100%**	78%	Investment holding
Hanmix Limited ("Hanmix")	Hong Kong	HK$1	**100%**	100%	Investment holding
深圳興利尊典家具有限公司 (Shenzhen Xingli Zundian Furniture Company Limited)* ("Shenzhen Xingli Zundian")	PRC	RMB40,000,000	**100%**	100%	Design, manufacture, sale and marketing of home furniture

16 INVESTMENTS IN AND ACCOUNTS WITH SUBSIDIARIES (continued)

Name of company	Place of incorporation and registration	Particulars of issued and fully paid-up share capital/ registered capital	Proportion of Group's ownership interest 2010	2009	Principal activity
深圳興利家具有限公司 (Shenzhen Xingli Furniture Company Limited)* ("Shenzhen Xingli")	PRC	RMB73,500,000	**100%**	100%	Design, manufacture, sale and marketing of home furniture
東莞興展家具有限公司 (Dongguan Super Furniture Company Limited)* ("Dongguan Super Furniture")	PRC	US$1,680,000	**100%**	78%	Manufacture and sale of bed mattresses

Notes:

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

17 AVAILABLE-FOR-SALE INVESTMENTS

	The Group	
	2010	2009
	HK$'000	HK$'000
Listed equity investments, at market value – Hong Kong	**7,280**	8,262

18 INVENTORIES

(a) Inventories in the statement of financial position comprise:

	The Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**10,152**	15,138
Work in progress	**7,258**	14,711
Finished goods	**63,305**	38,813
	80,715	68,662

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

	The Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount of inventories sold	**386,321**	345,936
Impairment of inventories (reversed)/recognised	**(2,746)**	3,095
Write-off of inventories	**8**	40
	383,583	349,071

19 TRADE DEBTORS AND BILLS RECEIVABLE

	The Group	
	2010	2009
	HK$'000	HK$'000
Trade debtors and bills receivable	**34,572**	34,615
Less: allowance for doubtful debts *(note 19(b))*	**(3,528)**	(6,954)
	31,044	27,661

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

19 TRADE DEBTORS AND BILLS RECEIVABLE (continued)

(a) Ageing analysis

The ageing analysis of trade debtors and bills receivable (net of allowance for doubtful debts) as of the end of the reporting period is as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Current	**23,490**	20,216
Less than 3 months past due	**5,735**	3,707
3 to 6 months past due	**818**	3,525
6 to 12 months past due	**806**	213
More than 12 months past due	**195**	–
	31,044	27,661

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

(b) Impairment of trade debtors and bills receivable

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

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

	The Group	
	2010	2009
	HK$'000	HK$'000
At 1 January	**6,954**	4,688
Impairment loss (reversed)/recognised	**(3,426)**	2,266
At 31 December	**3,528**	6,954

At 31 December 2010, the Group's trade debtors and bills receivable of HK$3,528,000 (2009: HK$6,954,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral over these balances.

19 TRADE DEBTORS AND BILLS RECEIVABLE (continued)

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

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

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

Receivables that were past due but not impaired related to customers that have good creditworthiness. Based on past experience, the management believes that no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

20 RESTRICTED BANK DEPOSITS

Included in the restricted bank deposits was a settlement guarantee of approximately HK$12,339,000 (2009: HK$9,645,000) to the main contractor for the new production facilities of the Group in Shenzhen, required by the 《深圳市建設工程擔保實施辦法》(Shenzhen Construction Assurance Practice Note) imposed by 《深圳市建設局》(Shenzhen Construction Bureau). The settlement guarantee will be released upon the finalisation of the construction of the production facilities.

The remaining HK$4,701,000 (2009: HK$4,543,000) represents deposits pledged to secure banking facilities granted to the Group (note 23).

21 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks	**118,608**	14,188	**–**	–
Cash at bank and in hand	**30,094**	86,773	**12,674**	17,386
	148,702	100,961	**12,674**	17,386
Less: restricted bank deposits *(note 20)*	**(17,040)**	(14,188)	**–**	–
Cash and cash equivalents	**131,662**	86,773	**12,674**	17,386

Deposits with banks bear interest at an average effective interest rate of 2.01% and 2.06% per annum as at 31 December 2010 and 2009 respectively.

21 CASH AND CASH EQUIVALENTS (continued)

The average effective interest rate for "cash at bank" are 0.28% and 0.12% per annum for the years ended 31 December 2010 and 2009 respectively.

22 TRADE PAYABLES

The ageing analysis of trade payables as of the end of the reporting period is as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 3 months	**59,862**	45,021
3 months to 1 year	**14,891**	2,457
Over 1 year	**3,047**	574
	77,800	48,052

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

23 SECURED BANK LOANS

The carrying amounts of secured bank loans are analysed as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Current portion		
Due within one year	**57,624**	16,850
Due after one year which contain a repayment on demand clause	**17,800**	–
	75,424	16,850
Non-current portion	**8,532**	42,518

23 SECURED BANK LOANS (continued)

At 31 December 2010, secured bank loans are repayable as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within one year	**57,624**	16,850
After 1 year but within 2 years	**13,332**	28,585
After 2 years but within 5 years	**13,000**	13,933
	26,332	42,518
	83,956	59,368

The average effective interest rate for the secured bank loans are 3.68% and 7.97% per annum for the years ended 31 December 2010 and 2009 respectively.

The amounts due are based on the scheduled repayment dates set out in the loan agreements and ignore the effect of any repayment on demand clause.

None of the portion of term loans due for repayment after one year which contain a repayable on demand clause is expected to be settled within one year.

The Group's banking facilities are secured by:

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

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

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

(iv) guarantees from the Government of the HKSAR under the Special Loan Guarantee Scheme and the SME Loan Guarantee Scheme.

At 31 December 2010, the Group's banking facilities amounted to HK$175,374,000 (2009: HK$149,725,000). The facilities were utilised to the extent of HK$83,956,000 (2009: HK$59,368,000).

23 SECURED BANK LOANS (continued)

All of the Group's banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 29(a)(ii). At 31 December 2010, none of the covenants relating to drawn down facilities had been breached (2009: Nil).

24 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position represents:

	The Group	
	2010	2009
	HK$'000	HK$'000
Hong Kong Profits Tax payable	**52**	–
PRC Enterprise Income Tax payable	**1,479**	949
	1,531	949

(b) Deferred taxation

Details of the Group's unrecognised deferred tax (assets)/liabilities at the end of the reporting period are as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Excess of tax allowances over depreciation	**224**	95
Tax losses	**(2,487)**	(818)
	(2,263)	(723)

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

At 31 December 2010, the Group has unrecognised deferred tax liabilities of HK$3,788,000 (2009: HK$3,386,000) in relation to withholding tax on undistributed earnings of HK$75,763,000 (2009: HK$67,725,000) due to the retention of undistributed earnings by the Group's subsidiaries in the PRC determined by the directors of the Company.

24 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred taxation (continued)

The Company does not have any material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2009: Nil), and therefore, no provision for deferred tax has been made.

25 RETIREMENT BENEFIT PLANS

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

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

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

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

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

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

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

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

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

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

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

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

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

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

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

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

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

12,000,000 options were granted by the Company under the 2009 Share Option Scheme on 23 April 2010.

(Expressed in Hong Kong dollars)

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(c) Details of the movements in share options granted under the Pre-IPO Share Option Scheme and the 2009 Share Option Scheme are as follows:

Name of participants	Option scheme	Date of grant	Exercise price HK$	Vesting and exercise period	Number of share options: Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Outstanding as at 31 December 2010
Directors								
Sung Kai Hing	Pre-IPO Share Option Scheme	29 May 2009	1.0647	23 Dec 2009 to 30 Dec 2016	1,498,670	–	–	1,498,670
Cheung Kong Cheung	Pre-IPO Share Option Scheme	29 May 2009	1.0647	23 Dec 2009 to 30 Dec 2016	1,498,670	–	–	1,498,670
Sun Jian	Pre-IPO Share Option Scheme	29 May 2009	1.0647	23 Dec 2009 to 19 Jun 2017 (50%) 20 Jun 2010 to 19 Jun 2017 (25%) 20 Jun 2011 to 19 Jun 2017 (25%)	749,335	–	–	749,335
	2009 Share Option Scheme	23 Apr 2010	1.422	23 Apr 2011 to 22 Apr 2013 (50%) 1 Jan 2012 to 22 Apr 2013 (50%)	–	300,000	–	300,000
Kong Hing Ki	2009 Share Option Scheme	23 Apr 2010	1.422	23 Apr 2011 to 22 Apr 2013 (50%) 1 Jan 2012 to 22 Apr 2013 (50%)	–	300,000	–	300,000
Shao Hanqing	2009 Share Option Scheme	23 Apr 2010	1.422	23 Apr 2011 to 22 Apr 2013 (50%) 1 Jan 2012 to 22 Apr 2013 (50%)	–	300,000	–	300,000

(Expressed in Hong Kong dollars)

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(c) Details of the movements in share options granted under the Pre-IPO Share Option Scheme and the 2009 Share Option Scheme are as follows (continued):

					Number of share options			
Name of participants	Option scheme	Date of grant	Exercise price HK$	Vesting and exercise period	Outstanding as at 1 January 2010	Granted during the year	Exercised during the year	Outstanding as at 31 December 2010
Employees	Pre-IPO Share Option Scheme	29 May 2009	1.0647	23 Dec 2009 to 30 Dec 2016 (50%) 31 Dec 2009 to 30 Dec 2016 (25%) 31 Dec 2010 to 30 Dec 2016 (25%)	1,498,670	–	–	1,498,670
	Pre-IPO Share Option Scheme	29 May 2009	1.0647	23 Dec 2009 to 19 Jun 2017 (50%) 20 Jun 2010 to 19 Jun 2017 (25%) 20 Jun 2011 to 19 Jun 2017 (25%)	749,335	–	–	749,335
	Pre-IPO Share Option Scheme	29 May 2009	1.0647	23 Dec 2009 to 30 Dec 2016	8,992,015	–	(5,994,675)	2,997,340
	2009 Share Option Scheme	23 Apr 2010	1.422	23 Apr 2011 to 22 Apr 2013 (50%) 1 Jan 2012 to 22 Apr 2013 (50%)	–	11,100,000	–	11,100,000
					14,986,695	12,000,000	(5,994,675)	20,992,020

(Expressed in Hong Kong dollars)

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(c) Details of the movements in share options granted under the Pre-IPO Share Option Scheme and the 2009 Share Option Scheme are as follows (continued):

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

	Number of options	Vesting conditions	Contractual life of options
Options to directors:			
– replaced on 29 May 2009	3,746,675	Vesting from 23 December 2009 to 20 June 2011	29 May 2009 to 19 June 2017
– granted on 23 April 2010	900,000	Vesting from 23 April 2011 to 22 April 2013	23 April 2010 to 22 April 2013
Options to employees:			
– replaced on 29 May 2009	11,240,020	Vesting from 23 December 2009 to 20 June 2011	29 May 2009 to 19 June 2017
– granted on 23 April 2010	11,100,000	Vesting from 23 April 2011 to 22 April 2013	23 April 2010 to 22 April 2013
– exercised on 26 October 2010	(5,994,675)		
Total share options granted	20,992,020		

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

	2010 Weighted average exercise price HK$	**2010** Number of share options	2009 Weighted average exercise price HK$	2009 Number of share options
Outstanding at the beginning of the year	**1.0647**	**14,986,695**	3,217	4,960
Cancelled during the year	**-**	**-**	3,217	(4,960)
Replaced during the year	**-**	**-**	1.0647	14,986,695
Granted during the year	**1.4220**	**12,000,000**	–	–
Exercised during the year	**1.0647**	**(5,994,675)**	–	–
Outstanding at the end of the year	**1.2689**	**20,992,020**	1.0647	14,986,695
Exercisable at the end of the year	**1.1687**	**20,612,028**	1.0647	13,862,693

(Expressed in Hong Kong dollars)

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(c) Details of the movements in share options granted under the Pre-IPO Share Option Scheme and the 2009 Share Option Scheme are as follows (continued):

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

The options outstanding at 31 December 2010 had an exercise price of HK$1.0647 or HK$1.4220 (2009: HK$1.0647) and a weighted average remaining contractual life of 3.9 years (2009: 7.05 years).

(iii) Fair value of share options and assumptions

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

As the purpose of the Pre-IPO Share Option Scheme is to grant new options to replace the options granted under the 2006 Scheme, the number of options granted under the Pre-IPO Share Option Scheme and the exercise price of the options were determined by reference to the effect of the increase in the Company's number of issued shares as a result of the sub-division of shares and Capitalisation Issue as detailed in note 27(c). Therefore, the total fair value of the share options issued under the Pre-IPO Share Option Scheme is assumed to be equal to that of the share options issued under the 2006 Scheme.

The assumptions used by the binomial lattice model in the valuation of options granted under the Pre-IPO Share Option Scheme and the 2009 Share Option Scheme are as follows:

	Options granted on 31 December 2006	Options granted on 20 June 2007	**Options granted on 23 April 2010**
Share price	HK$1.2249	HK$1.8908	**HK$1.4100**
Exercise price	HK$1.0647	HK$1.0647	**HK$1.4220**
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	36.76%	37.13%	**40%**
Option life	10 years	10 years	**3 years**
Expected dividend yield	6.16%	3.99%	**1.80%**
Risk-free interest rate	3.73%	4.70%	**1.23%**

26 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(c) Details of the movements in share options granted under the Pre-IPO Share Option Scheme and the 2009 Share Option Scheme are as follows (continued):

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

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

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

27 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

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

The Company

	Share capital HK$'000	**Share premium** HK$'000	**Share option reserve** HK$'000	**Retained profits** HK$'000	**Total** HK$'000
Balance at 1 January 2009	387	44,350	5,110	1,957	51,804
Equity-settled share-based transactions	–	–	466	–	466
Shares issued upon capitalisation	1,113	(1,113)	–	–	–
Shares issued upon placing and public offer	500	31,897	–	–	32,397
Dividends declared in respect of the current year	–	–	–	(2,100)	(2,100)
Total comprehensive income for the year	–	–	–	44,397	44,397
Balance at 31 December 2009 and at 1 January 2010	2,000	75,134	5,576	44,254	126,964
Equity-settled share-based transactions	–	–	2,465	–	2,465
Shares issued under share option scheme	60	8,489	(2,166)	–	6,383
Dividends declared in respect of the current year	–	–	–	(6,200)	(6,200)
Total comprehensive loss for the year	–	–	–	(3,561)	(3,561)
Balance at 31 December 2010	**2,060**	**83,623**	**5,875**	**34,493**	**126,051**

27 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

	2010 HK$'000	2009 HK$'000
Interim dividend declared and paid of HK1.70 cents per ordinary share (2009: HK1.05 cents per ordinary share)	**3,400**	2,100
Final dividend in respect of previous financial year, approved and paid during the year of HK1.40 cents per ordinary share (2009: Nil per ordinary share)	**2,800**	–
	6,200	2,100
Final dividend proposed after the reporting period of HK3.20 cents per ordinary share (2009: HK1.40 cents per ordinary share)	**6,592**	2,800
	12,792	4,900

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(c) Share capital

	2010 Number of ordinary shares of HK$0.01 each	2010 Amount HK$'000	2009 Number of ordinary shares of HK$0.01 each	2009 Amount HK$'000
Authorised:				
At 31 December	**1,000,000,000**	**10,000**	1,000,000,000	10,000
Issued and fully paid:				
At 1 January	**200,000,000**	**2,000**	49,644	387
Arising from sub-division of shares	**-**	**-**	38,672,676	–
Issued upon capitalisation	**-**	**-**	111,277,680	1,113
Issued under the Share Offer	**-**	**-**	50,000,000	500
Issued under share option scheme	**5,994,675**	**60**	–	–
At 31 December	**205,994,675**	**2,060**	200,000,000	2,000

27 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital (continued)

Notes:

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

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

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

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

(v) Shares issued under pre-IPO share option scheme
On 26 October 2010, options were exercised to subscribe for 5,994,675 ordinary shares in the Company at a consideration of HK$6,382,530 of which HK$59,947 was credited to share capital and a total of HK$8,488,962 was credited to the share premium account. HK$2,166,379 has been transferred from share option reserve to the share premium account in accordance with policy set out in note 2(n)(ii).

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

(d) Nature and purpose of reserves

(i) Share premium

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

27 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves (continued)

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong which are dealt with in accordance with the accounting policies as set out in note 2(r).

(iii) Statutory reserve fund

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

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

(iv) Merger reserve

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

(v) Share option reserve

The share option reserve comprises the fair value of share options granted which are yet to be exercised, as further explained in the accounting policy as set out in note 2(n)(ii). The amount will either be transferred to the share premium account where the related options are exercised, or be transferred to retained profits where the related options expired or be forfeited.

(vi) Fair value reserve

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

(vii) Capital reserve

The capital reserve represents the excess of the fair value of consideration paid for acquisition of additional interest in a non-wholly owned subsidiary over the decrease in the carrying amount of the non-controlling interest.

27 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Distributability of reserves

At 31 December 2010, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$118,116,000 (2009: HK$119,388,000), being the aggregate of the share premium and retained profits of the Company. The Company's share premium account in the amount of HK$83,623,000 (2009: HK$75,134,000) may be distributed in the form of fully paid bonus shares only.

(f) Capital management

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

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

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

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

Secured bank loans amounting to HK$83,956,000 (2009: HK$59,368,000) (note 23) were obtained as part of the capital structure of the Group. However, as the cash and cash equivalents of the Group exceed the bank loans amount, the Group does not have net indebtedness to banks.

	The Group	
	2010	2009
	HK$'000	HK$'000
Cash and cash equivalents *(note 21)*	**131,662**	86,773
Less: Secured bank loans *(note 23)*	**(83,956)**	(59,368)
Net cash	**47,706**	27,405

28 TRANSACTIONS WITH NON-CONTROLLING INTERESTS

Acquisition of additional interest in subsidiaries

On 15 September 2010, the Company's wholly owned subsidiary, Springrich Investments Limited acquired an additional 22% of the issued shares of 78% owned subsidiaries, Hander International and Dongguan Super Furniture, for a purchase consideration of HK$9,100,000. The carrying amount of the non-controlling interests in Hander International and Dongguan Super Furniture on the date of acquisition was HK$2,614,000. The Group recognised a decrease in non-controlling interests of HK$2,614,000 and a decrease in equity attributable to shareholders of the Company of HK$6,486,000. The effect of changes in the ownership interest of Hander International and Dongguan Super Furniture on the equity attributable to shareholders of the Company during the year is summarised as follows:

	2010 **HK$'000**
Carrying amount of non-controlling interests acquired	**2,614**
Consideration paid to non-controlling interests	**(9,100)**
Excess of consideration paid recognised in capital reserve within equity	**(6,486)**

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES

(a) Financial risk management

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

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

(i) Credit risk

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

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

Cash is held with financial institutions of good standing.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Financial risk management (continued)

(ii) Liquidity risk

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

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

Specifically, for term loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, that is if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank loans is prepared based on the scheduled repayment dates.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Financial risk management (continued)

(ii) Liquidity risk (continued)

	2010					2009				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
The Group										
Trade payables	77,800	77,800	77,800	-	-	48,052	48,052	48,052	-	-
Other payables and accrued charges	53,427	53,427	53,427	-	-	41,715	41,715	41,715	-	-
Secured bank loans	83,956	85,963	77,220	8,743	-	59,368	64,741	19,953	30,373	14,415
	215,183	217,190	208,447	8,743	-	149,135	154,508	109,720	30,373	14,415
The Company										
Other payables and accrued charges	1,419	1,419	1,419	-	-	696	696	696	-	-
Amounts due to subsidiaries	-	-	-	-	-	12,063	12,063	12,063	-	-
	1,419	1,419	1,419	-	-	12,759	12,759	12,759	-	-

The table that follows summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts included interest payments computed using contractual rates. As a result, these amounts were greater than the amounts disclosed in the "on demand" time band in the maturity analysis above. Taking into account the financial position of the Company concerned, the directors do not consider that it is probable that the bank will exercise its discretion to demand immediate repayment. The directors believe that such term loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Financial risk management (continued)

(ii) Liquidity risk (continued)

	2010					2009				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
The Group										
Trade payables	77,800	77,800	77,800	-	-	48,052	48,052	48,052	-	-
Other payables and accrued charges	53,427	53,427	53,427	-	-	41,715	41,715	41,715	-	-
Secured bank loans	83,956	85,963	58,844	13,809	13,310	59,368	64,741	19,953	30,373	14,415
	215,183	217,190	190,071	13,809	13,310	149,135	154,508	109,720	30,373	14,415
The Company										
Other payables and accrued charges	1,419	1,419	1,419	-	-	696	696	696	-	-
Amounts due to subsidiaries	-	-	-	-	-	12,063	12,063	12,063	-	-
	1,419	1,419	1,419	-	-	12,759	12,759	12,759	–	–

(iii) Interest rate risk

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

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

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(a) Financial risk management (continued)

(iv) Foreign currency risk

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

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

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

	The Group			
	2010		2009	
	Denominated in		Denominated in	
	Renminbi	**United States dollars**	Renminbi	United States dollars
	HK$'000	**HK$'000**	HK$'000	HK$'000
Trade debtors and bills receivable	**10,408**	**9,424**	17,152	8,919
Prepayments, deposits and other receivables	**36,313**	**–**	26,808	–
Restricted bank deposits	**17,040**	**–**	14,188	–
Cash and cash equivalents	**100,215**	**6,749**	48,872	12,934
Trade payables	**(73,073)**	**(4,727)**	(44,426)	(3,626)
Other payables and accrued charges	**(43,845)**	**(2,771)**	(36,521)	(4,239)
Secured bank loans	**(61,356)**	**–**	(59,368)	–
Current taxation	**(1,479)**	**–**	(949)	–
Net exposure arising from recognised assets and liabilities	**(15,777)**	**8,675**	(34,244)	13,988

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

The Company was not exposed to foreign currency risk as at the end of the reporting period as all the recognised assets and liabilities were denominated in Hong Kong dollars.

29 FINANCIAL RISK MANAGEMENT AND FAIR VALUES (continued)

(b) Estimation of fair values

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

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

30 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2010 not provided for in the financial statements are as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Contracted for:		
– Construction of factory building	**72,718**	9,365
– Purchase of property, plant and equipment	**1,451**	609
	74,169	9,974
Authorised but not contracted for:		
– Construction of factory building	**8,906**	12,157
– Purchase of property, plant and equipment	**23,151**	–
	32,057	12,157

30 COMMITMENTS (continued)

(b) At 31 December 2010, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Within 1 year	**1,422**	1,574
After 1 year but within 5 years	**1,848**	3,219
After 5 years	**363**	1,065
	3,633	5,858

31 CONTINGENT LIABILITIES

	The Company	
	2010	2009
	HK$'000	HK$'000
Corporate guarantees given and utilised	**52,297**	42,331

At 31 December 2010, the Company provided corporate guarantees to the following subsidiaries:

(a) Shenzhen Xingli to the extent of HK$77,000,000 (2009: HK$77,000,000) in relation to the payments for bank loans as set out in note 23, HK$29,697,000 (2009: HK$42,331,000) of which was utilised; and

(b) Hing Lee Furniture in relation to banking facilities to the extent of HK$24,000,000 (2009: nil) of which HK$22,600,000 (2009: nil) was utilised; and

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

32 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel remuneration

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

	2010	2009
	HK$'000	HK$'000
Short-term employee benefits	**5,940**	5,235
Post-employment benefits	**69**	68
Share-based payments	**299**	466
	6,308	5,769

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

Balances with related parties are disclosed in the statement of financial position and in note 16.

33 COMPARATIVE FIGURES

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

34 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

(i) Useful lives of property, plant and equipment

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

34 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(ii) Net realisable value of inventories

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

(iii) Estimated allowance for receivables

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

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

(iv) Income tax provision

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

(Expressed in Hong Kong dollars)

35 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2010

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and Interpretations and one new standard which are not yet effective for the year ended 31 December 2010 and which have not been adopted in the consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Revised HKAS 24, *Related party disclosures*	1 January 2011
HKFRS 9, *Financial Instruments*	1 January 2013
Improvements to HKFRSs 2010	1 July 2010 or 1 January 2011
Amendments to HKAS 12, *Income taxes*	1 January 2012

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