THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Share Offer, this Composite Document or the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Hing Lee (HK) Holdings Limited**, you should at once hand this Composite Document and the accompanying Form of Acceptance to the purchaser(s) or transferee(s) or to the bank or licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s). This Composite Document should be read in conjunction with the accompanying Form of Acceptance, the contents of which form part of the terms and conditions of the Share Offer contained herein.

King Right Holdings Limited

(Incorporated in the British Virgin Islands with limited liability)

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)

COMPOSITE OFFER AND RESPONSE DOCUMENT RELATING TO THE UNCONDITIONAL MANDATORY CASH OFFER BY SHENYIN WANGUO SECURITIES (H.K.) LIMITED

Shenyin Wanguo Securities (H.K.) Limited

FOR AND ON BEHALF OF KING RIGHT HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF HING LEE (HK) HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY KING RIGHT HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

Financial Adviser to King Right Holdings Limited

Shenyin Wanguo Capital (H.K.) Limited

Independent Financial Adviser to the Independent Board Committee

八方金融有限公司
OCTAL Capital Limited

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this Composite Document.

A letter from the Board is set out on pages 14 to 19 of this Composite Document.

A letter from SW Capital containing, among other things, the terms of the Share Offer, is set out on pages 5 to 13 of this Composite Document.

A letter from the Independent Board Committee containing its recommendation in respect of the Share Offer to the Independent Shareholders is set out on pages 20 to 21 of this Composite Document.

A letter from the Independent Financial Adviser containing its advice on the Share Offer to the Independent Board Committee is set out on pages 22 to 38 of this Composite Document.

The procedures for acceptance of the Share Offer and other related information are set out on pages I-1 to I-6 in Appendix I to this Composite Document and in the accompanying Form of Acceptance. Acceptance of the Share Offer should be received by the Registrar by no later than 4:00 p.m. on Wednesday, 12 February 2014, or such later time and/or date as the Offeror may determine and announce, with the consent of the Executive, in accordance with the Takeovers Code.

Persons including, without limitation, custodians, nominees and trustees, who would, or otherwise intend to, forward this Composite Document and/or the Form of Acceptance to any jurisdiction outside Hong Kong, should read the details in this regard which are contained in the subparagraph headed "Overseas Shareholders" under the paragraph headed "The Share Offer" in the "Letter from SW Capital" on pages 5 to 13 of this Composite Document and in the paragraph headed "Important note to the Shareholder(s) outside Hong Kong" of Appendix I to this Composite Document before taking any action. It is the responsibility of each Overseas Shareholder wishing to accept the Share Offer to satisfy himself, herself or itself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required and the compliance with other necessary formalities or legal requirements. Overseas Shareholders are advised to seek professional advice on deciding whether to accept the Share Offer.

22 January 2014

CONTENTS

The expected timetable set out below is indicative only and may be subject to change. Further announcement(s) will be made as and when appropriate. Unless otherwise specified, all times and dates refer to Hong Kong local time and dates.

	2014
Despatch date of this Composite Document and the accompanying Form of Acceptance and commencement date of the Share Offer *(Note 1)*	Wednesday, 22 January
Latest time and date for acceptance of the Share Offer *(Notes 2 and 4)*	4:00 p.m. on Wednesday, 12 February
Closing Date *(Note 1)*	Wednesday, 12 February
Announcement of the results of the Share Offer to be published on the website of the Stock Exchange *(Note 2)*	no later than 7:00 p.m. on Wednesday, 12 February
Latest date for posting of remittances for the amount due under the Share Offer in respect of valid acceptances received under the Share Offer *(Notes 3 and 4)*	Friday, 21 February

Notes:

1. The Share Offer, which is unconditional in all respects, is made on the date of posting of this Composite Document, and is capable of acceptance on and from Wednesday, 22 January 2014 until the Closing Date. Acceptances of the Share Offer shall be irrevocable and not capable of being withdrawn, except in the circumstances set out in the section headed "Right of withdrawal" in Appendix I to this Composite Document.

2. In accordance with the Takeovers Code, the Share Offer must initially be opened for acceptance for at least 21 days following the date on which this Composite Document is posted. The latest time and date for acceptance of the Share Offer is 4:00 p.m. on Wednesday, 12 February 2014. An announcement will be issued on the website of the Stock Exchange by 7:00 p.m. on Wednesday, 12 February 2014 stating whether the Share Offer has been extended, revised or expired. In the event that the Offeror decides to extend the Share Offer and the announcement does not specify the next closing date, at least 14 days' notice by way of an announcement will be given before the Share Offer is closed to those Independent Shareholders who have not accepted the Share Offer.

3. Remittances in respect of the cash consideration (after deducting the seller's ad valorem stamp duty in the case for tendered Shares) payable for the Offer Shares tendered under the Share Offer will be made to the Independent Shareholders accepting the Share Offer by ordinary post at their own risk as soon as possible, but in any event within 7 Business Days following the receipt of duly completed acceptances together with all the valid requisite documents by the Registrar from the Independent Shareholders accepting the Share Offer in accordance with the Takeovers Code.

4. If there is a tropical cyclone warning signal number 8 or above, or a black rainstorm warning:

   (a) in force in Hong Kong at any local time before 12:00 noon but no longer in force after 12:00 noon on the latest date for acceptance of the Share Offer and the latest date for posting of remittances for the amounts due under the Share Offer in respect of valid acceptances, the latest time for acceptance of the Share Offer and the posting of remittances will remain at 4:00 p.m. on the same Business Day; or

   (b) in force in Hong Kong at any local time between 12:00 noon and 4:00 p.m. on the latest date for acceptance of the Share Offer and the latest date for posting of remittances for the amounts due under the Share Offer in respect of valid acceptances, the latest time for acceptance of the Share Offer and the posting of remittances will be rescheduled to 4:00 p.m. on the following Business Day.

Save as mentioned above, if the latest time for the acceptance of the Share Offer and the posting of remittances do not take effect on the date and time as stated above, the other dates mentioned above may be affected. The Offeror and the Company will notify the Shareholders by way of announcement(s) of any change in the expected timetable as soon as possible.

In this Composite Document, unless the context otherwise requires, the following expressions shall have the following meanings:

"acting in concert"	has the meaning ascribed thereto in the Takeovers Code
"associate(s)"	has the meaning ascribed thereto in the Takeovers Code
"Board"	the board of directors of the Company
"Business Day"	a day on which the Stock Exchange is open for the transaction of business
"BVI"	British Virgin Islands
"CCASS"	the Central Clearing and Settlement System established and operated by Hong Kong Securities Clearing Company Limited
"Closing Date"	12 February 2014, being the closing date of the Share Offer which is 21 days following the date on which this Composite Document is posted or any subsequent closing date(s) as may be determined and announced with the consent of the Executive
"Company"	Hing Lee (HK) Holdings Limited, a company incorporated in the BVI and re-domiciled and continued in Bermuda with limited liability and the Shares of which are listed on the Main Board of the Stock Exchange
"Completion"	completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement
"Completion Announcement"	the joint announcement of the Offeror and the Company dated 23 December 2013 in relation to the Completion
"Composite Document"	this composite offer and response document jointly issued by the Offeror and the Company, which sets out, among other things, details of the Share Offer in accordance with the Takeovers Code
"Director(s)"	director(s) of the Company
"Executive"	the Executive Director of the Corporate Finance Division of the SFC or any of his delegates
"Facility"	a standby loan facility of up to HK$67,320,000 granted by SW Securities to the Offeror, which is secured by the Loan Security
"Form of Acceptance"	the form of acceptance in respect of the Share Offer accompanying this Composite Document
"Group"	the Company and its subsidiaries from time to time
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	Hong Kong Special Administrative Region of the PRC
"Independent Board Committee"	the independent committee of the Board comprising all three independent non-executive Directors, namely Mr. Sun Jian, Ms. Shao Hanqing and Mr. Kong Hing Ki, established to give recommendation to the Independent Shareholders regarding the terms of the Share Offer
"Independent Financial Adviser"	Octal Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Share Offer
"Independent Shareholders"	Shareholders other than the Offeror and parties acting in concert with it
"January 2014 Profit Alert"	the profit alert announcement issued by the Company dated 9 January 2014 in relation to the expected profit for the year ended 31 December 2013 and the expected loss for the six months ended 31 December 2013
"Joint Announcement"	the joint announcement of the Offeror and the Company dated 19 December 2013 in relation to, among other things, the Share Offer and the Sale and Purchase Agreement
"Last Trading Day"	11 December 2013, being the last trading day on which the Shares were traded on the Main Board of the Stock Exchange prior to the issue and publication of the Joint Announcement
"Latest Practicable Date"	20 January 2014, being the latest practicable date prior to the despatch of this Composite Document for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Loan Security"	the personal guarantee provided by Mr. Sung, and the share pledges on the 86,244,259 Shares legally and beneficially owned by the Offeror, the Offer Shares to be acquired by the Offeror through the Share Offer, 18,280,155 Shares legally and beneficially owned by Golden Sunday Limited (a company wholly and beneficially owned by Mr. Chan), and 18,280,155 Shares legally and beneficially owned by United Sino Limited (a company wholly and beneficially owned by Mr. Cheung) as security for the Facility

"Mr. Chan"	Mr. Chan Kwok Kin
"Mr. Cheung"	Mr. Cheung Kong Cheung, an executive Director
"Mr. Huang"	Mr. Huang Wei Ye
"Mr. Sung"	Mr. Sung Kai Hing, an executive Director, the chairman of the Board and the chief executive officer of the Company
"Offer Period"	has the meaning ascribed thereto under the Takeovers Code and commencing from 19 December 2013, being the date of the Joint Announcement, and ending on the Closing Date
"Offer Price"	HK$1.02 for each Offer Share
"Offer Shares"	all existing issued Shares (other than those Shares already owned by the Offeror and parties acting in concert with it)
"Offeror" or "King Right"	King Right Holdings Limited, a company incorporated in the BVI with limited liability which is wholly owned by Mr. Sung
"Options"	options to subscribe for Shares granted under the Share Option Scheme
"Overseas Shareholder(s)"	Shareholder(s) whose addresses, as shown on the register of members of the Company, are outside Hong Kong
"PRC"	The People's Republic of China which, for the purpose of this Composite Document, shall exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Pre-IPO Options"	options to subscribe for Shares granted under the Pre-IPO Share Option Scheme
"Pre-IPO Share Option Scheme"	the pre-IPO share option scheme adopted by the Company on 29 May 2009
"Registrar"	Computershare Hong Kong Investor Services Limited, the Hong Kong share registrar of the Company
"Relevant Period"	the period commencing six months preceding 19 December 2013, being the date of the Joint Announcement, up to and including the Latest Practicable Date
"Sale and Purchase Agreement"	the sale and purchase agreement dated 11 December 2013 entered into between the Offeror and the Vendor for the acquisition of the Sale Shares

"Sale Shares"	67,964,104 Shares which were beneficially owned by the Vendor and sold by it to the Offeror pursuant to the Sale and Purchase Agreement
"SFC"	Securities and Futures Commission of Hong Kong
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Share Offer"	the unconditional mandatory cash offer being made by SW Securities for and on behalf of the Offeror to acquire all the Offer Shares in accordance with the Takeovers Code and the terms set out in this Composite Document
"Share Option Scheme"	the share option scheme adopted by the Company on 29 May 2009
"Shareholder(s)"	holder(s) of Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"SW Capital"	Shenyin Wanguo Capital (H.K.) Limited, a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Share Offer
"SW Securities"	Shenyin Wanguo Securities (H.K.) Limited, a corporation licensed to carry on type 1 (dealing in securities) regulated activity under the SFO
"Takeovers Code"	the Hong Kong Code on Takeovers and Mergers as in force and as amended from time to time
"Top Prospect"	Top Prospect International Limited, a company incorporated in the BVI which is wholly owned by Mr. Yuan Han Xiang who is not connected with the Offeror or any party acting in concert with it, being a substantial Shareholder holding approximately 15.02% of the equity interest in the Company as at the Latest Practicable Date
"Vendor"	Triple Express Enterprises Limited, a company incorporated in the BVI with limited liability which is wholly owned by Mr. Fang Shin
"%"	per cent.

Shenyin Wanguo Capital (H.K.) Limited
Level 19, 28 Hennessy Road
Hong Kong

22 January 2014

To the Independent Shareholders

Dear Sir or Madam,

THE UNCONDITIONAL MANDATORY CASH OFFER BY SHENYIN WANGUO SECURITIES (H.K.) LIMITED FOR AND ON BEHALF OF KING RIGHT HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF HING LEE (HK) HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY KING RIGHT HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to (i) the Joint Announcement in relation to, among other things, the Sale and Purchase Agreement and the unconditional mandatory general offer in cash to be made by SW Securities for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it; and (ii) the Completion Announcement in relation to Completion of the Sale and Purchase Agreement. Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires.

This letter forms part of this Composite Document and sets out, among other things, the details of the Share Offer, information on the Offeror and the intention of the Offeror regarding the Group. Further details on the terms and procedures for acceptance of the Share Offer are set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

The Independent Shareholders are strongly advised to consider carefully the information contained in the "Letter from the Board", the "Letter from the Independent Board Committee" and the "Letter from the Independent Financial Adviser" as set out in this Composite Document and to consult their professional advisers if in doubt.

THE SALE AND PURCHASE AGREEMENT

Pursuant to the terms of the Sale and Purchase Agreement, the Offeror conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, being 67,964,104 Shares beneficially owned by the Vendor, representing approximately 28.04% of the existing issued share capital of the Company. The consideration for the Sale Shares pursuant to the Sale and Purchase Agreement is HK$69,323,386.08, equivalent to HK$1.02 per Sale Share. Completion of the Sale and Purchase Agreement took place on 23 December 2013.

THE SHARE OFFER

Prior to entering into the Sale and Purchase Agreement, the Offeror, Mr. Sung and parties acting in concert with any of them (including Mr. Chan, Mr. Cheung and Mr. Huang) were interested in a total of 72,035,896 Shares, representing approximately 29.72% of the entire issued share capital of the Company. Upon Completion, the Offeror, Mr. Sung and parties acting in concert with any of them became interested in a total of 140,000,000 Shares, representing approximately 57.76% of the entire issued share capital of the Company, and accordingly, the Offeror is required to make the Share Offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

Principal terms of the Share Offer

SW Securities is making the Share Offer, which is unconditional in all respects pursuant to Note 1 to Rule 26.2 of the Takeovers Code, for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

The Share Offer

For every Offer Share . . . . HK$1.02 in cash

The Offer Price is the same as the price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Share Offer extends to all Shares in issue on the date on which the Share Offer is made, other than those Shares already owned by the Offeror and persons acting in concert with it.

Offer Price

The Offer Price of HK$1.02 per Offer Share represents:

(i) a discount of approximately 20.93% to the closing price of HK$1.29 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 20.93% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 5 consecutive trading days up to and including the Last Trading Day of HK$1.29 per Share;

(iii) a discount of approximately 19.69% to the average of the closing prices of the Shares as quoted on the Stock Exchange for the 10 consecutive trading days up to and including the Last Trading Day of HK$1.27 per Share; and

(iv) a discount of approximately 20.31% to the closing price of the Shares as quoted on the Stock Exchange on the Latest Practicable Date of HK$1.28 per Share.

Highest and lowest Share prices

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$1.40 per Share on 24 December 2013 and HK$0.58 per Share on 5 July 2013 respectively.

Total consideration for the Share Offer

On the basis of the Offer Price of HK$1.02 per Offer Share and 242,398,675 Shares in issue as at the Latest Practicable Date, the entire issued share capital of the Company would be valued at approximately HK$247.2 million. The Offeror, Mr. Sung and parties acting in concert with any of them are interested in 140,000,000 Shares. Given all outstanding Pre-IPO Options and Options will not be exercised, the Share Offer based on the Offer Price values the Offer Shares (other than the 36,404,000 Shares held by Top Prospect which has given an irrevocable undertaking dated 11 December 2013 to the Offeror and the Company pursuant to which Top Prospect has irrevocably undertaken not to accept the Share Offer and not to take any other action to make those Shares available for acceptance of the Share Offer) at approximately HK$67,314,569 in respect of an aggregate of 65,994,675 Offer Shares.

Financial resources available for the Share Offer

The financial resources of the Offeror to fund the Share Offer amounting to an aggregate of approximately HK$67,314,569 are financed by the Facility granted by SW Securities. The Offeror intends that the payment of interest on, repayment of or security for the Facility will not depend on the business of the Company.

We, Shenyin Wanguo Capital (H.K.) Limited, are satisfied that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Share Offer.

Effects of accepting the Share Offer

The Share Offer is unconditional. By accepting the Share Offer, the relevant Shareholders will sell their Shares to the Offeror free from all liens, claims and encumbrances and with all rights attached to them, and all dividends and distributions recommended, declared, made or paid, if any, on or after the date of despatch of this Composite Document.

Stamp duty

Seller's Hong Kong ad valorem stamp duty on acceptances of the Share Offer at a rate of 0.1% (HK$1.00 for every HK$1,000 (or part thereof)) of the consideration payable in respect of the relevant acceptance by the Shareholders or, if higher, the market value of the Offer Shares, will be deducted from the amount payable to Shareholders who accept the Share Offer. The Offeror will bear the buyer's Hong Kong ad valorem stamp duty as purchaser of the Offer Shares and will arrange for the payment of the stamp duty in connection with such sales and purchases.

Payment

Payment in cash in respect of acceptances of the Share Offer will be made as soon as possible but in any event within 7 Business Days of the date on which the duly completed acceptances of the Share Offer and the relevant documents of title of the Shares in respect of such acceptances are received by the Offeror to render each such acceptance complete and valid.

Dealings in the Company's securities

Save for the Sale Shares acquired under the Sale and Purchase Agreement, none of the Offeror, Mr. Sung or any party acting in concert with any of them had dealt in any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company during the Relevant Period.

Other arrangements or agreements

The Offeror confirms that as at the Latest Practicable Date,

(i) the Offeror, Mr. Sung and parties acting in concert with any of them have not received any irrevocable commitment to accept the Share Offer;

(ii) there is no outstanding derivative in respect of securities in the Company which has been entered into by the Offeror, Mr. Sung or any party acting in concert with any of them;

(iii) there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which exists between the Offeror or any person acting in concert with it and any other person;

(iv) there is no arrangement of the kind referred to in the third paragraph of Note 8 to Rule 22 of the Takeovers Code which exists between the Offeror, or any person acting in concert with it, and any other person;

(v) there is no arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code which exists between the Company or any person who is an associate of the Company by virtue of classes (1), (2), (3) and (4) of the definition of "associate" as ascribed thereto in the Takeovers Code, and any other person;

(vi) save for the irrevocable undertaking from Top Prospect as disclosed in the paragraph headed "Undertaking not to accept the Share Offer" in the "Letter from the Board" of this Composite Document and the Loan Security, there is no agreement, arrangement or understanding between the Offeror, Mr. Sung or any person acting in concert with any of them, and any of the Directors, recent Directors, Shareholders or recent Shareholders having connection with or dependence upon the Share Offer;

(vii) there is no agreement or arrangement to which the Offeror is a party which relates to circumstances in which it may or may not invoke or seek to invoke a pre-condition or a condition to the Share Offer; and

(viii) there is no relevant security (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Offeror, Mr. Sung or any party acting in concert with any of them has borrowed or lent.

Overseas Shareholders

The Share Offer is made in respect of securities of a company incorporated in the BVI and re-domiciled and continued in Bermuda and is subject to the statutory procedural and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions. The Offeror intends to make the Share Offer available to all Shareholders, including those with registered addresses, as shown in the register of members of the Company, outside Hong Kong. The availability of the Share Offer to persons not resident in Hong Kong and the ability of Shareholders outside of Hong Kong to participate in the Share Offer will however be subject to, and may be limited by, the laws and regulations of their respective jurisdictions.

The making of the Share Offer to persons with a registered address in jurisdiction outside Hong Kong may be prohibited or limited by the laws of the relevant jurisdiction. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the applicable laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

Compulsory Acquisition

The Offeror does not intend to avail itself of any powers of compulsory acquisition.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date:

	Number of Shares	*%*
The Offeror	86,244,259	35.58%
Golden Sunday Limited[1]	18,280,155	7.54%
United Sino Limited[2]	18,280,155	7.54%
Top Right Trading Limited[3]	17,195,431	7.10%
Sub-total for the Offeror and parties acting in concert with it[4]	140,000,000	57.76%
Top Prospect	36,404,000	15.02%
Public Shareholders	65,994,675	27.22%
Total	242,398,675	100.00%

Notes:

1. The entire issued share capital of Golden Sunday Limited is owned by Mr. Chan.

2. The entire issued share capital of United Sino Limited is owned by Mr. Cheung.

3. The entire issued share capital of Top Right Trading Limited is owned by Mr. Huang.

4. Apart from an aggregate of 140,000,000 Shares held by the Offeror and parties acting in concert with it, as at the Latest Practicable Date, (i) 1,498,670 Pre-IPO Options and 1,500,000 Options are held by Mr. Sung; (ii) 1,498,670 Pre-IPO Options are held by Mr. Chan; (iii) 1,498,670 Pre-IPO Options and 1,500,000 Options are held by Mr. Cheung; and (iv) 1,498,670 Pre-IPO Options and 1,000,000 Options are held by Mr. Huang. The exercise price for the Pre-IPO Share Options is HK$1.0647 per Share and the exercise price of the Options is HK$1.80 per Share. In respect of the exercise period of the Pre-IPO Share Options and Options held by each of Mr. Sung, Mr. Chan, Mr. Cheung and Mr. Huang, please refer to the sub-section headed "Share option schemes" under the section headed "Disclosure of interests" in Appendix VII to this Composite Document.

INFORMATION ON THE OFFEROR

The Offeror was incorporated in the BVI with limited liability and is beneficially and wholly-owned by Mr. Sung. The principal activity of the Offeror is investment holding and the principal assets held by the Offeror are its equity interests in the Company. Prior to the date of this Composite Document, the Offeror has not conducted any business since its incorporation.

Mr. Sung is the sole shareholder and sole director of the Offeror. He is also the chairman of the Board and the chief executive officer of the Company and has over 17 years of experience in the furniture industry. Neither the Offeror nor Mr. Sung has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group. Furthermore, none of the Offeror or Mr. Sung has any intention to engage in any connected transaction (including continuing connected transaction) with the Group after completion of the Share Offer.

INFORMATION ON THE COMPANY

The Company was incorporated in the BVI on 20 April 2004 and was re-domiciled and continued in Bermuda with limited liability on 30 March 2007, and the Shares have been listed on the Stock Exchange since 22 June 2009. The principal business activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture, sofa and mattresses, and licensing of its own brands and product designs. The following table sets out a summary of certain audited financial information of the Group for the two years ended 31 December 2011 and 31 December 2012 and unaudited financial information of the Group for the six months ended 30 June 2013:

	Six months ended 30 June	**Year ended 31 December**	
	2013	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)
Turnover	292,616	604,595	633,008
Gross profit	59,296	98,805	146,222
Profit/(loss) before taxation	5,975	(37,209)	48,637
Profit/(loss) for the year/period	4,457	(38,706)	45,723

	As at 30 June 2013	As at 31 December 2012	2011
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)
Net assets	370,052	361,851	407,700

As disclosed in the January 2014 Profit Alert, based on the information currently available to the Group, the Group is expected to record a loss for the six months ended 31 December 2013. Notwithstanding the expected decline in the Group's results in the second half of 2013, the Group is still expected to record a profit for the year ended 31 December 2013 as compared to a loss recorded for the year ended 31 December 2012 (the "**Statement**"). The expected profit for the year ended 31 December 2013 was primarily attributed to the improvement in gross profit margins of the products of the Group as compared to year 2012, despite a decrease in the Group's gross profit margin for the second half of 2013 as compared to that for the first half of 2013.

The Statement is regarded as a profit forecast under Rule 10 of the Takeovers Code and the Company is required to comply with the reporting requirement set out in Rule 10.4 of the Takeovers Code with respect to the January 2014 Profit Alert. Baker Tilly Hong Kong Limited, the auditors of the Company, is of the opinion that, so far as the accounting policies and calculations are concerned, the Statement has been properly compiled based on the unaudited consolidated results of the Group for the year ended 31 December 2013 and is presented on a basis consistent with the accounting policies adopted by the Group in the Company's published annual report for the year ended 31 December 2012. The Independent Financial Adviser is of the opinion that the Statement, for which the Directors are solely responsible for, has been made with due care and consideration. Your attention is drawn to the reports issued by Baker Tilly Hong Kong Limited and the Independent Financial Adviser on the January 2014 Profit Alert set out in Appendix III and Appendix IV to this Composite Document respectively.

OFFEROR'S INTENTION ON THE GROUP

It is the intention of the Offeror that the Group will continue its existing principal business. The Offeror does not intend to introduce any major changes to the existing operation and business of the Group or re-deploy the fixed assets or the employees of the Group by reason only of the Share Offer. As at the Latest Practicable Date, the Offeror has no intention or plan for any acquisition or disposal of assets and/or business by the Group.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror and Mr. Sung intend to maintain the listing of the Shares on the Stock Exchange after the close of the Share Offer. The Offeror does not intend to appoint any new Director. In the event that after the close of the Share Offer, the public float of the Company falls below 25%, the Offeror and Mr. Sung will undertake to the Stock Exchange to take appropriate steps to ensure that the minimum public float of not less than 25% of the issued Shares as required under the Listing Rules will be restored or maintained (as applicable) following the close of the Share Offer.

Please note that the Stock Exchange may exercise its discretion if, upon the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, to suspend dealings in the Shares.

PROCEDURES FOR ACCEPTANCE AND SETTLEMENT

Your attention is drawn to the further details regarding the procedures for acceptance and settlement and acceptance period as set out in Appendix I to this Composite Document and the accompanying Form of Acceptance.

TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the tax implications of their acceptance of the Share Offer. It is emphasised that none of the Offeror, Mr. Sung and parties acting in concert with any of them, the Company and their ultimate beneficial owners and parties acting in concert with any of them, SW Capital, SW Securities, the Independent Financial Adviser, LCH (Asia-Pacific) Surveyors Limited, Baker Tilly Hong Kong Limited, the Registrar or any of their respective directors or associates or professional advisers or any other party involved in the Share Offer or any of their respective agents is in a position to advise the Independent Shareholders on their individual tax implications nor accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Share Offer.

GENERAL

To ensure equality of treatment of all Independent Shareholders, those registered Independent Shareholders who hold the Shares as nominees for more than one beneficial owner should, as far as practicable, treat the holding of each beneficial owner separately. It is essential for the beneficial owners of the Offer Shares whose investments are registered in the names of nominees to provide instructions to their nominees of their intentions with regard to the Share Offer.

All documents and remittances to the Independent Shareholders will be sent by ordinary post or courier. Such documents and remittances will be sent to the Independent Shareholders at their respective addresses as they appear in the register of members or, in the case of joint Independent Shareholders, to the Independent Shareholder whose name appears first in the register of members. None of the Offeror, Mr. Sung and parties acting in concert with any of them, the Company, SW Capital, SW Securities, the Independent Financial Adviser, LCH (Asia-Pacific) Surveyors Limited, Baker Tilly Hong Kong Limited, the Registrar or any of their respective directors or associates or professional advisers or any other parties involved in the Share Offer will be responsible for any loss or delay in transmission or any other liabilities that may arise as a result thereof.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Composite Document which form part of this Composite Document. You are reminded to carefully read the "Letter from the Board", the "Letter from the Independent Board Committee", the "Letter from the Independent Financial Adviser" and other information about the Group which are set out in this Composite Document before deciding whether or not to accept the Share Offer.

Yours faithfully,
For and on behalf of
Shenyin Wanguo Capital (H.K.) Limited

Willis Ting	**Tanny Chau**
Managing Director	*Managing Director*

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)

Executive Directors:
Mr. Sung Kai Hing *(Chairman)*
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

Registered office:
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal place of business:
Unit 1101, 11th Floor
Delta House
3 On Yiu Street
Shatin
New Territories
Hong Kong

22 January 2014

To the Shareholders

Dear Sir or Madam,

THE UNCONDITIONAL MANDATORY CASH OFFER BY SHENYIN WANGUO SECURITIES (H.K.) LIMITED FOR AND ON BEHALF OF KING RIGHT HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF HING LEE (HK) HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY KING RIGHT HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

Reference is made to (i) the Joint Announcement in relation to, among other things, the Sale and Purchase Agreement and the unconditional mandatory general offer in cash to be made by SW Securities for all the issued Shares other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it; and (ii) the Completion Announcement in relation to Completion of the Sale and Purchase Agreement. Terms used in this letter shall have the same meanings as defined in this Composite Document unless the context otherwise requires.

The Independent Board Committee comprising all three independent non-executive Directors, namely Mr. Sun Jian, Ms. Shao Hanqing and Mr. Kong Hing Ki, has been established by the Company to make recommendation to the Independent Shareholders as to whether the Share Offer is fair and reasonable and as to the acceptance of the Share Offer. Mr. Fang Yan Zau, Alexander, a non-executive Director, is the son of Mr. Fang Shin, who holds the entire equity interests in the Vendor, and does not form part of the Independent Board Committee. The Independent Financial Adviser, with the approval of the Independent Board Committee, has been appointed to advise the Independent Board Committee in respect of the Share Offer.

Further details of the Share Offer are set out in the "Letter from SW Capital" in this Composite Document of which this letter forms part, Appendix I to this Composite Document and the accompanying Form of Acceptance.

THE SALE AND PURCHASE AGREEMENT

Pursuant to the terms of the Sale and Purchase Agreement, the Offeror conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, being 67,964,104 Shares beneficially owned by the Vendor, representing approximately 28.04% of the existing issued share capital of the Company. The consideration for the Sale Shares pursuant to the Sale and Purchase Agreement is HK$69,323,386.08, equivalent to HK$1.02 per Sale Share. Completion of the Sale and Purchase Agreement took place on 23 December 2013.

THE SHARE OFFER

Prior to entering into the Sale and Purchase Agreement, the Offeror, Mr. Sung and parties acting in concert with any of them (including Mr. Chan, Mr. Cheung and Mr. Huang) were interested in a total of 72,035,896 Shares, representing approximately 29.72% of the entire issued share capital of the Company. Upon Completion, the Offeror, Mr. Sung and parties acting in concert with any of them became interested in a total of 140,000,000 Shares, representing approximately 57.76% of the entire issued share capital of the Company, and accordingly, the Offeror is required to make the Share Offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with it) pursuant to Rule 26.1 of the Takeovers Code.

Principal terms of the Share Offer

SW Securities is making the Share Offer, which is unconditional in all respects pursuant to Note 1 to Rule 26.2 of the Takeovers Code, for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

The Share Offer

For every Offer Share .... HK$1.02 in cash

The Offer Price is the same as the price per Sale Share payable by the Offeror under the Sale and Purchase Agreement.

The Share Offer extends to all Shares in issue on the date on which the Share Offer is made, other than those Shares already owned by the Offeror and persons acting in concert with it.

Undertaking not to accept the Share Offer

Top Prospect, a Shareholder holding 36,404,000 Shares as at the Latest Practicable Date, has given an irrevocable undertaking dated 11 December 2013 to the Offeror and the Company pursuant to which Top Prospect has irrevocably undertaken not to accept the Share Offer and not to take any other action to make those Shares available for acceptance of the Share Offer.

Further details of the Share Offer

Further details of the Share Offer including, among others, the terms and the procedures for acceptance and settlement are set out in the "Letter from SW Capital" contained in this Composite Document, Appendix I to this Composite Document and the accompanying Form of Acceptance.

INFORMATION ON THE COMPANY

The Company was incorporated in the BVI on 20 April 2004 and was re-domiciled and continued in Bermuda with limited liability on 30 March 2007, and the Shares have been listed on the Stock Exchange since 22 June 2009. The principal business activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture, sofa and mattresses, and licensing of its own brands and product designs. The following table sets out a summary of certain audited financial information of the Group for the two years ended 31 December 2011 and 31 December 2012 and unaudited financial information of the Group for the six months ended 30 June 2013:

	Six months ended 30 June	**Year ended 31 December**	
	2013	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)
Turnover	292,616	604,595	633,008
Gross profit	59,296	98,805	146,222
Profit/(loss) before taxation	5,975	(37,209)	48,637
Profit/(loss) for the year/period	4,457	(38,706)	45,723

	As at	**As at 31 December**	
	30 June 2013	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(audited)	(audited)
Net assets	370,052	361,851	407,700

As disclosed in the January 2014 Profit Alert, based on the information currently available to the Group, the Group is expected to record a loss for the six months ended 31 December 2013. Notwithstanding the expected decline in the Group's results in the second half of 2013, the Group is still expected to record a profit for the year ended 31 December 2013 as compared to a loss recorded for the year ended 31 December 2012 (the "**Statement**"). The expected profit for the year ended 31 December 2013 was primarily attributed to the improvement in gross profit margins of the products of the Group as compared to year 2012, despite a decrease in the Group's gross profit margin for the second half of 2013 as compared to that for the first half of 2013.

The Statement is regarded as a profit forecast under Rule 10 of the Takeovers Code and the Company is required to comply with the reporting requirement set out in Rule 10.4 of the Takeovers Code with respect to the January 2014 Profit Alert. Baker Tilly Hong Kong Limited, the auditors of the Company, is of the opinion that, so far as the accounting policies and calculations are concerned, the Statement has been properly compiled based on the unaudited consolidated results of the Group for the year ended 31 December 2013 and is presented on a basis consistent with the accounting policies adopted by the Group in the Company's published annual report for the year ended 31 December 2012. The Independent Financial Adviser is of the opinion that the Statement, for which the Directors are solely responsible for, has been made with due care and consideration. Your attention is drawn to the reports issued by Baker Tilly Hong Kong Limited and the Independent Financial Adviser on the January 2014 Profit Alert set out in Appendix III and Appendix IV to this Composite Document respectively.

SHAREHOLDING STRUCTURE OF THE COMPANY

Set out below is the shareholding structure of the Company as at the Latest Practicable Date:

	Number of Shares	*%*
The Offeror	86,244,259	35.58%
Golden Sunday Limited[1]	18,280,155	7.54%
United Sino Limited[2]	18,280,155	7.54%
Top Right Trading Limited[3]	17,195,431	7.10%
Sub-total for the Offeror and parties acting in concert with it[4]	140,000,000	57.76%
Top Prospect	36,404,000	15.02%
Public Shareholders	65,994,675	27.22%
Total	242,398,675	100.00%

Notes:

1. The entire issued share capital of Golden Sunday Limited is owned by Mr. Chan.

2. The entire issued share capital of United Sino Limited is owned by Mr. Cheung.

3. The entire issued share capital of Top Right Trading Limited is owned by Mr. Huang.

4. Apart from an aggregate of 140,000,000 Shares held by the Offeror and parties acting in concert with it, as at the Latest Practicable Date, (i) 1,498,670 Pre-IPO Options and 1,500,000 Options are held by Mr. Sung; (ii) 1,498,670 Pre-IPO Options are held by Mr. Chan; (iii) 1,498,670 Pre-IPO Options and 1,500,000 Options are held by Mr. Cheung; and (iv) 1,498,670 Pre-IPO Options and 1,000,000 Options are held by Mr. Huang. The exercise price for the Pre-IPO Share Options is HK$1.0647 per Share and the exercise price of the Options is HK$1.80 per Share. In respect of the exercise period of the Pre-IPO Share Options and Options held by each of Mr. Sung, Mr. Chan, Mr. Cheung and Mr. Huang, please refer to the sub-section headed "Share option schemes" under the section headed "Disclosure of interests" in Appendix VII to this Composite Document.

INFORMATION ON THE OFFEROR

Please refer to the "Letter from SW Capital" as set out on pages 5 to 13 of this Composite Document for information on the Offeror. None of the Offeror or Mr. Sung has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group. Furthermore, none of the Offeror or Mr. Sung has any intention to engage in any connected transaction (including continuing connected transaction) with the Group after completion of the Share Offer.

OFFEROR'S INTENTION ON THE GROUP

Your attention is drawn to the section headed "Offeror's intention on the Group" in the "Letter from SW Capital" contained in this Composite Document. The Board is aware of the intention of the Offeror in respect of the Company and is willing to render reasonable co-operation with the Offeror which is in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Board (i) had not entered, and did not have any intention to enter, into any agreement, arrangement, understanding or negotiation about any acquisition of assets or business (whether concluded or not); and (ii) had no assets or business injections agreed or under negotiation.

MAINTAINING THE LISTING STATUS OF THE COMPANY

The Offeror indicates that the Offeror and Mr. Sung intends to maintain the listing of the Shares on the Stock Exchange after the close of the Share Offer. In the event that after the close of the Share Offer, the public float of the Company falls below 25%, the Offeror and Mr. Sung will undertake to the Stock Exchange to take appropriate steps to ensure that the minimum public float of not less than 25% of the issued Shares as required under the Listing Rules will be restored or maintained (as applicable) following the close of the Share Offer.

Please note that the Stock Exchange may exercise its discretion if, upon the close of the Share Offer, less than the minimum prescribed percentage applicable to the Company, being 25%, of the issued Shares are held by the public or if the Stock Exchange believes that: (i) a false market exists or may exist in the trading of the Shares; or (ii) there are insufficient Shares in public hands to maintain an orderly market, to suspend dealings in the Shares.

COMPULSORY ACQUISITION

The Offeror indicates that it does not intend to avail itself of any powers of compulsory acquisition.

RECOMMENDATION

Your attention is drawn to the "Letter from the Independent Board Committee" as set out on pages 20 to 21 of this Composite Document which contains its recommendation to the Independent Shareholders in respect of the Share Offer, and the "Letter from the Independent Financial Adviser" as set out on pages 22 to 38 of this Composite Document containing its advice to the Independent Board Committee in respect of the Share Offer.

ADDITIONAL INFORMATION

You are also advised to read this Composite Document together with the accompanying Form of Acceptance in respect of the acceptance and settlement procedures of the Share Offer. Your attention is drawn to the additional information contained in the appendices to this Composite Document.

By order of the Board
HING LEE (HK) HOLDINGS LIMITED
Wong Kit Wai
Company Secretary

The following is the text of a letter of recommendation from the Independent Board Committee to the Independent Shareholders prepared for the purpose of inclusion in this Composite Document.

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)

22 January 2014

To the Independent Shareholders

Dear Sir or Madam,

THE UNCONDITIONAL MANDATORY CASH OFFER BY SHENYIN WANGUO SECURITIES (H.K.) LIMITED FOR AND ON BEHALF OF KING RIGHT HOLDINGS LIMITED TO ACQUIRE ALL THE ISSUED SHARES OF HING LEE (HK) HOLDINGS LIMITED (OTHER THAN THOSE ALREADY OWNED BY KING RIGHT HOLDINGS LIMITED AND PARTIES ACTING IN CONCERT WITH IT)

INTRODUCTION

We refer to the composite offer and response document dated 22 January 2014 jointly issued by the Offeror and the Company (the "**Composite Document**") of which this letter forms part. Terms used in this letter shall have the meanings as defined in the Composite Document unless the context requires otherwise.

We have been appointed to form the Independent Board Committee to advise you as to whether, in our opinion, the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned and as to the acceptance of the Share Offer.

Octal Capital Limited has been appointed as the Independent Financial Adviser to advise us in respect of the terms of the Share Offer and as to the acceptance of the Share Offer. Details of the advice and the principal factors taken into consideration in arriving at its recommendations are set out in the "Letter from the Independent Financial Adviser" ("**IFA Letter**") on pages 22 to 38 of this Composite Document.

We also wish to draw your attention to the "Letter from the Board", the "Letter from SW Capital" and the additional information set out in the appendices to this Composite Document.

RECOMMENDATION

Having taken into account the terms of the Share Offer, the advice and recommendations of the Independent Financial Adviser contained in the IFA letter and the principal factors taken into consideration by it in arriving at its opinion, we are of the opinion that the terms of the Share Offer are fair and reasonable so far as the Independent Shareholders are concerned and recommend the Independent Shareholders to accept the Share Offer. The Share Offer provides an alternative for the Independent Shareholders to realise their investments in the Shares in view of the thin trading volume of the Shares. Given the discount of the Offer Price in comparison with the current market price of the Shares, Independent Shareholders are reminded to carefully monitor the market price and liquidity of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, where possible, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Share Offer. Independent Shareholders are recommended to read the full text of the IFA Letter set out in this Composite Document.

In any case, the Independent Shareholders are strongly advised that the decision to realise or to hold their investment is subject to individual circumstances and investment objectives. If in doubt, the Independent Shareholders should consult their own professional advisers for professional advice. Furthermore, the Independent Shareholders who wish to accept the Share Offer are recommended to read carefully the procedures for accepting the Share Offer as detailed in this Composite Document and the accompanying Form of Acceptance.

Yours faithfully,
For and on behalf of the Independent Board Committee of
HING LEE (HK) HOLDINGS LIMITED
Sun Jian **Shao Hanqing** **Kong Hing Ki**
Independent non-executive Directors

Set out below is the text of a letter received from the Independent Financial Adviser to the Independent Board Committee regarding the Share Offer for the purpose of inclusion in this Composite Document.

Octal Capital Limited
801-805, 8/F, Nan Fung Tower
173 Des Voeux Road Central
Hong Kong

22 January 2014

To the Independent Board Committee

Dear Sirs,

UNCONDITIONAL MANDATORY CASH OFFER

INTRODUCTION

We refer to our engagement to advise the Independent Board Committee in respect of the terms of the Share Offer, particulars of which are set out in a composite offer document (the "Composite Document") despatched to the Independent Shareholders dated 22 January 2014, in which this letter is reproduced. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as ascribed to them under the section headed "Definitions" in the Composite Document.

As set out in the letter from the Board (the "Letter from the Board") in the Composite Document, the Offeror and the Vendor entered into the Sale and Purchase Agreement on 11 December 2013, pursuant to which the Offeror conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares, being 67,964,104 Shares beneficially owned by the Vendor, representing approximately 28.04% of the existing issued share capital of the Company. The consideration for the Sale Shares pursuant to the Sale and Purchase Agreement is HK$69,323,386.08, equivalent to HK$1.02 per Sale Share. Completion of the Sale and Purchase Agreement took place on 23 December 2013.

Prior to entering into the Sale and Purchase Agreement, the Offeror, Mr. Sung and parties acting in concert with any of them (including Mr. Chan, Mr. Cheung and Mr. Huang) were interested in a total of 72,035,896 Shares, representing approximately 29.72% of the entire issued share capital of the Company. Upon Completion, the Offeror, Mr. Sung and parties acting in concert with any of them become interested in a total of 140,000,000 Shares, representing approximately 57.76% of the entire issued share capital of the Company, and accordingly, the Offeror is required to make the Share Offer for all the issued Shares (other than those already owned by the Offeror and parties acting in concert with them) pursuant to Rule 26.1 of the Takeovers Code.

SW Securities is making the Share Offer, which is unconditional in all respects pursuant to Note 1 to Rule 26.2 of the Takeovers Code, for and on behalf of the Offeror in compliance with the Takeovers Code on the following terms:

For each Offer Share . . . . HK$1.02 in cash

Further terms and conditions of the Share Offer, including the procedures for acceptance, are set out in the Composite Document.

The Independent Board Committee, comprising all three independent non-executive Directors namely Mr. Sun Jian, Ms. Shao Hanqing and Mr. Kong Hing Ki, has been established by the Company to make recommendation to the Independent Shareholders as to whether the terms of Share Offer are fair and reasonable and as to the acceptance of the Share Offer. Mr. Fang Yan Zau, Alexander, a non-executive Director, is the son of Mr. Fang Shin, who holds the entire equity interests in the Vendor, and does not form part of the Independent Board Committee. We, Octal Capital Limited, have been approved by the Independent Board Committee in respect of the Share Offer.

In formulating our opinion, we have relied on the accuracy of the information and representations contained in the Composite Document and have assumed that all information and representations made or referred to in the Composite Document as provided by the Directors and/or the Offeror were true at the time they were made and continue to be true as at the date of the Composite Document. We have also relied on our discussion with the Directors regarding the Group and the Share Offer, including the information and representations contained in the Composite Document. We have also assumed that all statements of belief, opinion and intention made by the Directors and the Offeror respectively in the Composite Document were reasonably made after due enquiry. We have no reason to suspect that any material facts have been omitted or withheld from the information contained or opinions expressed in the Composite Document nor to doubt the truth, accuracy and completeness of the information and representations provided by the Directors and the Offeror. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Group, the Offeror and their respective associates nor have we carried out any independent verification of the information supplied.

We have not considered the tax implications on the Independent Shareholders of their acceptances or non-acceptances of the Share Offer since these are particular to their own individual circumstances. In particular, the Independent Shareholders who are resident outside Hong Kong or subject to overseas taxes or Hong Kong taxation on securities dealings should consider their own tax position with regard to the Share Offer and, if in any doubt, should consult their own professional adviser.

PRINCIPAL FACTORS AND REASONS CONSIDERED ON THE SHARE OFFER

In arriving at our opinion regarding the terms of the Share Offer, we have considered the following principal factors and reasons:

(i) Review of financial position/performance of the Group

The Group is principally engaged in (i) the design, manufacture, sale and marketing of wood panel furniture and licensing of its own brand names; and (ii) design, manufacture, sale and marketing of upholstered sofa and bed mattresses. The Group was loss-making in the financial year ended 31 December 2012. For the six months ended 30 June 2013, the Group recorded a total comprehensive income of approximately HK$8.20 million which was primarily attributed to the improvement in gross profit margins of the products of the Group. We summarise the audited/unaudited consolidated results of the Group for the most recent three financial years and the most recent two interim periods as follows:

Expressed in HK$'000	**Year ended 31 December (audited)**			**Six months ended 30 June (unaudited)**	
	2010	**2011**	**2012**	**2012**	**2013**
Panel furniture	450,751	476,750	460,392	156,686	221,666
Upholstered furniture	55,942	156,258	144,203	125,340	70,950
Total revenue	506,693	633,008	604,595	282,026	292,616
Gross profit	123,110	146,222	98,805	47,746	59,296
Gross profit margin	*24.30%*	*23.10%*	*16.34%*	*16.93%*	*20.26%*
Profit/(loss) after tax	40,300	45,723	(38,706)	(15,686)	4,457
Total comprehensive income/ (loss) for the year/period	46,797	55,252	(38,937)	(16,955)	8,201

Source: Annual and interim reports of the Company

For the year ended 31 December 2011

As disclosed in the annual report of the Company, 2011 was highly challenging due to uncertainties surrounding economic conditions in the PRC and around the world. Overall economic conditions were improved and business activities started to pick up gradually. The Group employed the PRC domestic market development as the core strategy and has extended the PRC domestic sales network to third and fourth tier cities as well as further strengthened their relationship with overseas customers.

During the year ended 31 December 2011, revenue from the panel furniture increased by approximately 5.77% mainly due to the demand of middle to high-end wooden furniture products, in particular the modern furniture series, resulting from increasing demand for the Group's trendy design furniture and the sales network extension. Moreover, revenue from upholstered furniture has also increased by approximately 1.79 times as the Group acquired a sofa manufacturing company which contributed revenue to the Group and further utilised their production capacity to produce sofa products. The major market of the Company was located in the PRC where approximately 60.79% of the total revenue was generated (2010: 66.46%) and the top five PRC customers accounted for approximately 4.0% of the total revenue. Total revenue of approximately HK$633.0 million and profit attributable to shareholder of approximately HK$50.95 million were recorded for the year ended 31 December 2011. The Company recorded a profit after tax and total comprehensive income of approximately HK$45.72 million and approximately HK$55.25 million respectively during the year ended 31 December 2011.

For the year ended 31 December 2012

As disclosed in the annual report of the Company, 2012 was a difficult year for the Group's business operations. The economy of the PRC maintained steady growth, the unfavourable environments brought by the Chinese Government's macroeconomic austerity measures as well as various other unfavourable factors have been affecting the operations of the Group. In addition, many newly built home units were smaller in size, which led to a drop in demand for large size classical furniture and resulted in diminished turnover in 2012.

During the year ended 31 December 2012, revenue from panel furniture and upholstered furniture decreased by approximately 3.43% and 7.71% respectively due to drop in demand for large size classical furniture. PRC remained as the major market of the Company where approximately 56.40% of the total revenue was generated (2011: 60.79%) and the top five PRC customers accounted for approximately 4.87% of the total revenue. In addition, the Group was adversely affected by the continuous restrictive housing policy of the Chinese Government and low consumption sentiment in the PRC. The Group recorded a loss after tax and total comprehensive loss of approximately HK$38.71 million and approximately HK$38.94 million respectively during the year ended 31 December 2012. Such loss was primarily attributable to (i) the decrease in gross profit margins of the panel furniture of the Group; (ii) the increase in operating cost during the period; and (iii) the drop in sales revenue.

The Group has allocated more resources to the research and development of new products (i.e. smaller size furniture) in response to market changes. In addition, various measures have been implemented to enhance the Group's core competitiveness, in particular, costs control and information technology.

For the six months ended 30 June 2013

While the global economic conditions remained volatile and complicated in the six months period ended 30 June 2013, the Group has re-assessed and adjusted their operating strategies and made progress in various parts of the business to build for a sustainable growth in the future.

During the six months ended 30 June 2013, the Group recorded revenue of approximately HK$292.62 million, representing an increase of approximately 3.75% compared with the corresponding period last year of approximately HK$282.03 million. The increase in revenue was mainly attributed to the increase in both sales in the PRC and export sales. The increase in sales in the PRC was a result of the Group's expansion in sales network in 3rd and 4th tier cities for its modern furniture, and the increase in export sales was primarily due to the increase in orders from the Group's existing customers.

Profit after tax of the Group for the six months ended 30 June 2013 was approximately HK$4.46 million, compared with loss after tax of approximately HK$15.69 million for corresponding period in the previous year, primarily attributable to the improvement in gross profit margins of the panel furniture of the Group. Total comprehensive income was approximately HK$8.20 million for the six months period ended 30 June 2013.

Profit alert for the year ended 31 December 2013

Further to the Company's interim results announcement dated 26 August 2013 which has disclosed that the Group recorded a profit for the six months ended 30 June 2013, the Company announced on 9 January 2014 that based on the information currently available to the Group, the Group is expected to record a loss for the six months ended 31 December 2013. Notwithstanding the expected decline in the Group's result in the second half of 2013, the Group is still expected to record a profit for the year ended 31 December 2013 as compared to a loss for the year ended 31 December 2012. The expected profit for the year ended 31 December 2013 was primarily attributed to the improvement in gross margins of the panel furniture of the Group as compared to year 2012, despite a decrease in the Group's gross profit margin for the second half of 2013 as compared to that for the first half of 2013.

The annual result of the Company for the year ended 31 December 2013 is expected to be released in March 2014.

We further summarise below the audited/unaudited consolidated balance sheets of the Group as at 31 December 2012 and as at 30 June 2013:

Expressed in HK$'000	**As at 31 December 2012**		**As at 30 June 2013**	
	(audited)		**(unaudited)**	
Non-current assets		402,792		401,736
Property, plant and equipment	301,947		300,583	
Prepaid lease payments	48,660		48,967	
Goodwill	52,120		52,120	
Available-for-sale investments	65		66	
Current assets		322,402		328,187
Non-current liabilities		42,410		32,731
Current liabilities		320,933		327,140
Net assets		361,851		370,052

Source: Annual and interim reports of the Company

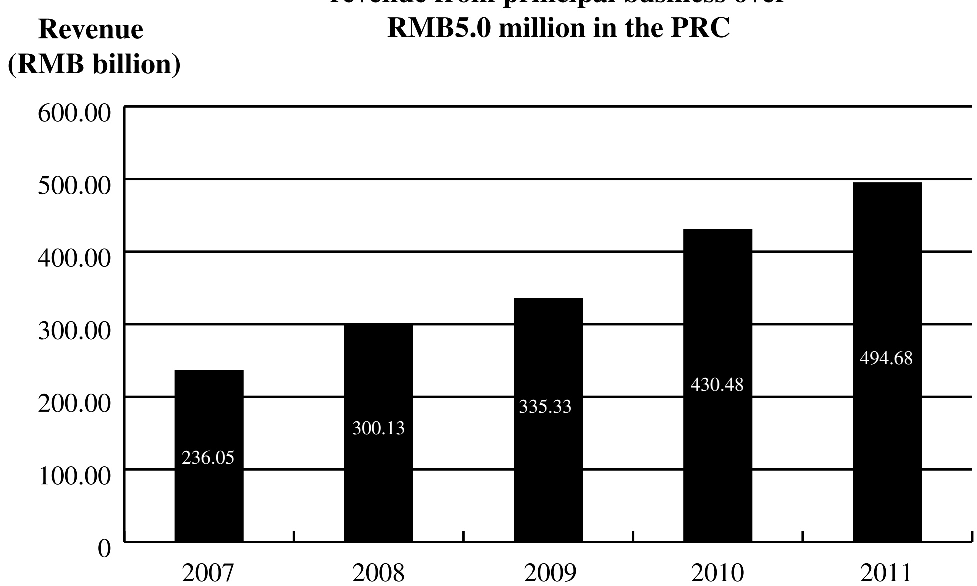
The total assets of the Group amounted to approximately HK$725.19 million (audited) and HK$729.92 million (unaudited) as at 31 December 2012 and 30 June 2013 respectively. As at 31 December 2012, property, plant and equipment, inventories, cash and cash equivalents and prepayments, deposits and other receivables were major assets of the Group, which together accounted for approximately 81.74% of the total assets of the Group. As at the 30 June 2013, property, plant and equipment, inventories, prepayments, deposits and other receivables and cash and cash equivalents were the major assets of the Company, which together accounted for approximately 79.93% of the total assets of the Group.

The total liabilities of the Group amounted to approximately HK$363.34 million (audited) and HK$359.87 million (unaudited) as at 31 December 2012 and 30 June 2013 respectively. As at 31 December 2012 and 30 June 2013, trade creditors and bill payable, other payables and accrued charges and bank borrowings were the major items of liabilities of the Group, accounting for approximately 97.84% and 97.61% respectively of total liabilities of the Group.

The net asset value of the Group amounted to approximately HK$361.85 million (audited) and HK$370.05 million (unaudited) as at 31 December 2012 and 30 June 2013 respectively.

According to the National Bureau of Statistics of China and Hong Kong Trade Development Council, as living conditions continue to improve, people in China are more willing to invest in home decoration. Increasing purchasing power has driven the development of furniture market. From 2004 to 2011, the sales value of wholesalers and retailers with annual revenue from principal business over RMB5.0 million in the furniture industry in the PRC grew at an annual rate of approximately 31.0%. In January to November 2012, the growth slowed down to approximately 26.3%, with sales value reaching RMB137.5 billion. In addition, according to preliminary figures from China National Furniture Association, in 2012, the output value of the furniture industry reached RMB1,130 billion, with imports amounting to RMB49.96 billion, an increase of approximately 11.9% and 28.5% respectively, compared to previous year.

Revenue from furniture manufacturing enterprises with annual revenue from principal business over RMB5.0 million in the PRC



Source: National Bureau of Statistics of China

In addition, the National Bureau of Statistics of China stated the revenue from furniture manufacturing enterprises with annual revenue from principal business over RMB5.0 million in the PRC increased from approximately RMB236.05 billion in 2007 to RMB494.68 billion in 2011, representing a compound annual growth rate of approximately 20.3%. These figures reflect a steady growth in furniture industry in the PRC from 2007 to 2011.

Since 2009, the Chinese government has implemented the eight real estate market regulation measures to prevent over speculation in real estate and maintain property controls. Down-payment and mortgage requirements have been raised i.e. first and second house buyers require paying 30% and 60% down-payment, respectively and third house buyers will not be granted loans from banks. The Chinese government authorities also imposed a property tax in some of the cities in the PRC. In 2010, the Chinese government implemented new measures in 40 cities to restrict the purchase of residential properties. Each local family could only purchase two residential properties and each purchase must be at least two years apart. Foreign residents who can provide at least one year of tax certificate or social security contribution certificate could purchase only one residential property. Companies are not permitted to purchase any residential properties. In 2013, the Chinese government further implemented restrictive measures including a 20% tax on profits from selling of residential properties. In addition, the PRC government plans to increase supply of low-cost and small to medium size public housing as well as to restrict home purchases in about 40 cities in the PRC. The Directors consider all these measures have curbed demand for residential property and furniture.

(ii) Share price performance and trading liquidity

The consideration for the Sale Shares is HK$69,323,386.08. We note that the Offer Price of approximately HK$1.02 per Share, being the rounded up figure of the said aggregate consideration of HK$69,323,386.08 as divided by a total of 67,964,104 Sale Shares, representing approximately 28.04% of the entire issued capital of the Company as at the date of the Agreement. The Offer Price represents:

(i) a discount of approximately 20.93% against the closing price of HK$1.29 per Share as quoted on the Stock Exchange on the Last Trading Day;

(ii) a discount of approximately 20.93% against the average of the closing prices of HK$1.29 per Share as quoted on the Stock Exchange for the last five trading days up to and including the Last Trading Day;

(iii) a discount of approximately 19.69% against the average of the closing prices of HK$1.27 per Share as quoted on the Stock Exchange for the last ten trading days up to and including the Last Trading Day;

(iv) a discount of approximately 10.84% against the average of the closing prices of HK$1.14 per Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;

(v) a premium of approximately 13.49% over the average of the closing prices of HK$0.90 per Share as quoted on the Stock Exchange for the last 90 trading days up to and including the Last Trading Day;

(vi) a premium of approximately 19.20% over the average of the closing prices of HK$0.86 per Share as quoted on the Stock Exchange for the last 180 trading days up to and including the Last Trading Day;

(vii) a premium of approximately 13.42% over the average of the closing prices of HK$0.90 per Share as quoted on the Stock Exchange for the last 250 trading days up to and including the Last Trading Day;

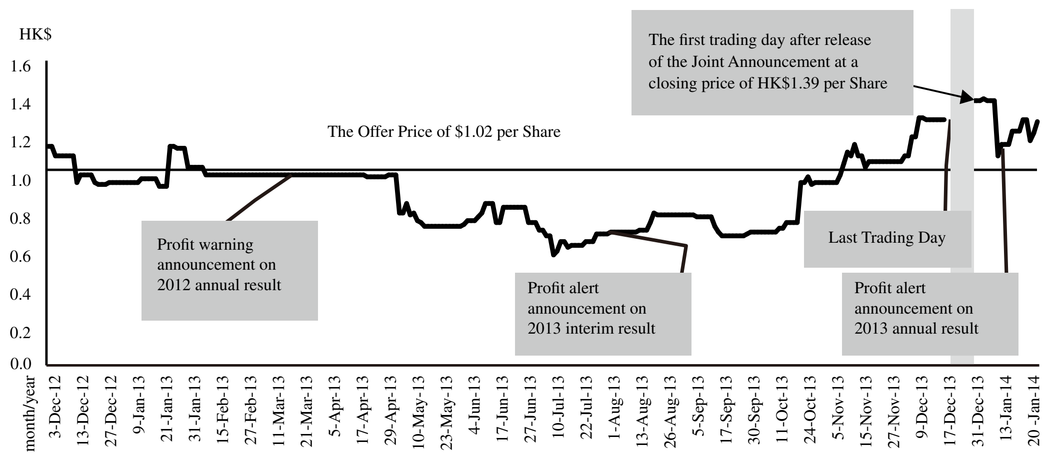
(viii) a discount of approximately 31.67% against the audited consolidated net asset value of approximately HK$1.49 per Share as at 31 December 2012, being the date of which the latest audited consolidated financial statements of the Company were made up;

(ix) a discount of approximately 33.19% against the unaudited consolidated net asset value of approximately HK$1.53 per Share as at 30 June 2013, being the date of which the latest published interim consolidated balance sheet of the Company were made up; and

(x) a discount of approximately 20.31% against the closing price of HK$1.28 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

(a) Historical Share price performance

For the purpose of further comparing the Offer Price of HK$1.02 per Share with the market price of the Shares, we plotted the closing price level of the Shares traded on the Stock Exchange from 3 December 2012 to 11 December 2013 (being the Last Trading Day) and further up to the Latest Practicable Date (the "Review Period").



Source: Infocast

Note:

1. Trading of Shares was suspended from 12 December 2013 (at 9:00a.m.) to 18 December 2013, pending the release of the Joint Announcement.

With reference to the above chart, the closing price of the Shares ranged from HK$0.58 per Share to HK$1.40 per Share during the Review Period. Price of the Shares reflected a decreasing trend from HK$1.00 per Share when a profit warning announcement on 2012 annual result was made in March 2013. Price of the Shares subsequently picked up after a profit alert announcement on the Company's 2013 interim results was made in July 2013.

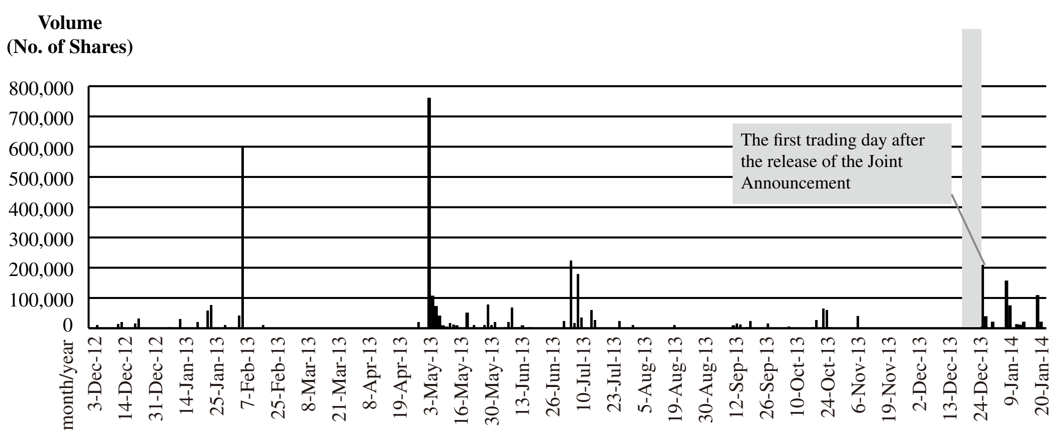
The Offer Price had been above or equal to the closing prices of the Shares on 67 trading days out of the total 271 trading days (representing approximately 24.72% of the total number of trading days) in the entire Review Period, and represents a significant premium of approximately 75.86% over the lowest closing price of the Shares of $0.58 per Share recorded on 5 July 2013. The Offer Price also represents a discount of approximately 27.14% against the highest price of the Shares of HK$1.40 per Share recorded on 24 December 2013. We further noted that the closing prices of the Shares surged rather significantly and had been above the Offer Price from 1 November 2013 onwards up to the Latest Practicable Date.

As at 30 June 2013, the net asset value per Share was approximately HK$1.53, which represented a premium of approximately 1.64 times over the lowest closing price of the Shares of HK$0.58 (on 5 July 2013) and a premium of approximately 17.69% over the highest closing price of the Shares of HK$1.30 (on 2 December 2013), both from the commencement of the Review Period to the Last Trading Day. The closing prices of the Share throughout the entire Review Period were below the net asset value per Share.

From 12 December 2013, the trading of Shares was suspended as requested by the Company pending the release of the Joint Announcement. On 19 December 2013, being the first trading day after release of the Joint Announcement, the closing price of the Share surged to HK$1.39 from the closing price of HK$1.29 on the Last Trading Day. On 9 January 2014 where the profit alert announcement on 2013 annual result was made, the closing price of the Shares was HK$1.23 which was the same as the closing price of the Shares on the previous day. The closing price of the Shares has been fluctuating above the Offer price since the publication of the Joint Announcement until the Latest Practicable Date. As at the Latest Practicable Date, the Offer Price represents a discount of approximately 20.31% against the closing price per Share of HK$1.28. We noted, there was no significant positive impact on the closing price of the Shares after the publication of the profit alert announcement on 2013 annual result up to the Latest Practicable Date.

(b) Liquidity

The following chart shows the daily trading volume of the Shares during the Review Period:



Source: Infocast

Month	Highest daily turnover (number of Shares)	Average daily turnover (number of Shares) *(Note 1)*	Number of trading days with no turnover (days)	Percentage of average daily turnover to total number of Shares in issue (%)	Percentage of average daily turnover to total number of Shares held by Independent Shareholders (%) *(Note 2)*
2012					
Dec	32,000	4,842	14	0.002%	0.005%
2013					
Jan	76,000	8,886	16	0.004%	0.009%
Feb	600,000	38,352	14	0.016%	0.037%
Mar	0	0	20	0%	0%
Apr	20,000	1,000	19	0.0004%	0.001%
May	760,000	57,428	6	0.024%	0.056%
Jun	68,000	6,736	11	0.003%	0.007%
Jul	224,000	26,363	14	0.011%	0.026%
Aug	10,000	476	20	0.0002%	0.001%
Sep	24,000	3,900	14	0.002%	0.004%
Oct	66,000	7,809	15	0.003%	0.008%
Nov	40,000	2,209	16	0.001%	0.002%
Dec	208,000	17,733	12	0.007%	0.017%
2014					
Jan (up to and including the Latest Practicable Date)	156,000	36,615	5	0.015%	0.036%

Source: Infocast

Notes:

1. Average daily trading volume is calculated by dividing the total trading volume for the month/period by the number of trading days during the month/period which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole day.

2. Based on the total number of Shares held by Independent Shareholders at the end of the respective month/period.

3. Trading of Shares was suspended from 12 December 2013 (at 9:00a.m.) to 18 December 2013, pending the release of the Joint Announcement.

During the Review Period, no trading of the Shares was recorded on 196 trading days on the Stock Exchange which exclude any trading day on which trading of the Shares on the Stock Exchange was suspended for the whole day.

As illustrated in the table above, the average daily trading volume in 2013 was within the range of 476 Shares (approximately 0.0002%) and 57,428 Shares (approximately 0.024%). No trading of Shares was recorded in March 2013. We noted from the above table that save for the months of February and May 2013, trading in the Shares had been rather thin during the Review Period, with the average daily trading volume being equal to or below 0.026% of the total number of issued Shares held by the Independent Shareholders in the entire Review Period. We are not aware of the reason for the higher trading volume of the Shares on 6 February 2013 and 2 May 2013. However, if these two months were excluded, the trading volume of the Shares was generally thin and sustainability of the recent increase in the trading volume could be uncertain.

On 19 December 2013, being the date immediately following the Joint Announcement having been published and the trading of the Shares having been resumed, the trading volume of the Shares further increased substantially to 208,000 Shares, representing approximately 0.20% of the total number of Shares held by Independent Shareholders.

In view of the above, we consider the liquidity of the Shares was generally thin during most of the time in the Review Period. As such, it is uncertain as to whether there would be sufficient liquidity in the Shares and the Independent Shareholders who may wish to realise their investment in the Company, particularly those with relatively sizeable shareholdings, might not be able to do so without having an adverse impact on the market price level of the Shares. Accordingly, the Share Offer represents an alternative opportunity of guaranteed cash exit for the Independent Shareholders, particularly for those who hold a large volume of Shares, to realise their investment in the Company at the Offer Price if they so wish. Independent Shareholders who intend to dispose part or all of their shareholdings should closely monitor the market price and the liquidity of the Shares in the open market.

(iii) Comparison with comparable companies

In assessing the fairness and reasonableness of the Offer Price, we have attempted to perform a price-to-earnings multiple ("P/E Ratio") analysis, which is one of the most widely used and accepted methods for valuing a business with recurrent income. Given the Company recorded an operating loss in the year ended 31 December 2012, we consider that it is not feasible to assess the Offer Price using the P/E Ratio approach. Taking into account the nature of the business of the Company and as advised by the Company, the total assets of the Company are mainly composed of property, plant and equipment, and current assets including but not limited to inventories, receivables and cash, we consider the net asset approach is an appropriate alternate approach to assess the fairness and reasonableness of the Offer Price.

We have identified six companies listed on the Stock Exchange, of which major revenue was generated from manufacture and sale of furniture and/or sofas and bed mattresses for their respective latest financial year. Meanwhile, we also note that there is one comparable company whose business was principally engaged in the manufacture and sale of furnishing home products and accessories primarily used in kitchens and bathroom. However the wooden furniture has been discontinued for the year ended 31 December 2012 and converted to 100% stainless steel furniture and accordingly, was not comparable to the business of the Company. We also note the market capitalisation of another comparable company exceeded HK$1,000 million, which was far above the market capitalisation of the Company of approximately HK$249.25 million based on the closing price on 19 December 2013, being the date on which the Joint Announcement was published. In view of the fact that the business and the huge capitalisation may have impact on our comparison, we have shortlisted to four companies listed on the Stock Exchange for comparison, being an exhaustive list of comparable companies (the "Comparable Companies"). We consider the list of Comparable Companies a fair representation of comparable companies of the Company as (i) their business are closely comparable to the Company; (ii) major revenue was derived from manufacture and sale of furniture and/or sofas and bed mattresses for their respective latest financial year; and (iii) the market capitalisation is less than HK$1,000 million. We have compared the respective price to earnings ratios and price-to-book ratios ("P/B Ratio") of the Comparable Companies with those of the Company, details of which are set out in the table below.

Company/ Stockcode	Principal activities	Market capitalisation[1] (HK$ million) (1)	Profit attributable to shareholders[2] (HK$ million) (2)	P/E (times) (3) = (1)/(2)	Net asset value attributable to shareholders[2] (HK$ million) (4)	P/B Ratio (times) (5)=(1)/(4)
Samson Holding Ltd. (531)	Design, production, sale and marketing of furniture	115.0	146.27	0.79	4,105.52	0.03
Royale Furniture Holdings Ltd. (1198)	Manufacture and sale of home furniture	459.81	21.63	21.26	1,582.04	0.27
Merry Garden Holdings Ltd. (1237)	Research and development, design, production and sale of leisure household products and timber villas, sheds, and their related parts and structures	820.0	101.59	8.07	509.72	1.61
Jia Meng Holdings Ltd. (8101)	Design, manufacture and sale of mattress and soft bed products	180.0	10.88	16.54	52.09	3.46
	Median			12.31		0.95
	Mean			11.67		1.35
	Maximum			21.26		3.46
	Minimum			0.79		0.03
The Company (396)	design, manufacture, sale and marketing of wood panel furniture, upholstered sofa and bed mattresses	247.25[3]	(40.52)	N/A	363.14	0.68

Source: www.hkex.com.hk and infocast

Based on the exchange rate of RMB1.00/HK$0.788 and US$1.00/HK$7.752

Notes:

1. Based on the closing price on 19 December 2013, being the date on which the Joint Announcement was published.

2. Based on the latest financial data as published in the respective annual results announcement, annual report and interim reports of the Comparables as at the Latest Practicable Date.

3. Based on the Offer Price of HK$1.02 per Share.

All the Comparable Companies recorded a profit in their respective latest published financial year. Also as shown in the above table, the Comparable Companies were trading at P/B Ratios ranging from approximately 0.03 time to approximately 3.46 times, with a median of approximately 0.95 time and a mean of approximately 1.35 times. The implied P/B Ratio of the Company (based on the Offer Price) of approximately 0.68 time is therefore within the said market range but below the median and the mean of P/B Ratios of the Comparable Companies. We note that the P/B Ratio as represented by the closing price of the Share of HK$1.29 per Share on the Last Trading Day is approximately 0.86 time which is also below the median and the mean of the P/B Ratio of the Comparable Companies.

However, we would like to draw the attention of the Independent Shareholders to the facts that (i) the Group experienced fluctuation on the profit margin of the products of the Group with the expected deteriorated profit for the six months ended 31 December 2013. For details please refer to the section headed "Review of financial position / performance of the Group – profit alert for the year ended 31 December 2013" in this letter; (ii) the Directors confirm that there has been no material change in the financial and trading position or outlook of the Group since 31 December 2012 up to the Latest Practicable Date save as the material changes disclosed in the section headed "Appendix II – Financial information on the Group – Material change"; and (iii) the Offeror does not intend to introduce any major changes to the existing operation and business of the Group or re-deploy the fixed assets or the employees of the Group.

The Independent Shareholders should consider the wider perspective of the various factors, including the historical performance of the Shares that its closing price was in general traded below the Offer Price most of the time in the Review Period, the thin liquidity of the Shares together with the expected fluctuating financial performance for the year ended 31 December 2013 and the uncertain business prospects of the Group as a result of the various austerity measures on property market in China in recent years, in addition to the comparison of the implied P/B Ratio of the Company.

Having considered the above, we are of the view that the Offer Price, on balance, is acceptable as far as the Independent Shareholders are concerned.

(iv) Background and intention of the Offeror regarding the Group

(a) Background of the Offeror

The Offeror was incorporated in the BVI with limited liability and is beneficially and wholly-owned by Mr. Sung. The principal activity of the Offeror is investment holding and the principal assets held by the Offeror are equity interests in the Company. Prior to the date of this Composite Document, the Offeror has not conducted any business since its incorporation.

Mr. Sung is the sole shareholder and sole director of the Offeror. He is also the chairman of the Board and the chief executive officer of the Company and has over 17 years of experience in the furniture industry.

Neither the Offeror nor Mr. Sung has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group. Furthermore, neither of the Offeror nor Mr. Sung has any intention to engage in any connected transaction (including continuing connected transaction) with the Group after completion of the Share Offer.

(b) Intention of the Offeror regarding the Group

As stated in the Letter from SW Capital, it is the intention of the Offeror that the Group will continue the existing principal business. The Offeror does not intend to introduce any major changes to the existing operation and business of the Group or re-deploy the fixed assets or the employees of the Group by reason only of the Share Offer. As at the date of the Latest Practicable Date, the Offeror has no intention or plan for any acquisition or disposal of assets and/or business by the Group.

(c) Maintaining the listing status of the Company

The Offeror and Mr. Sung intend to maintain the listing of the Shares on the Stock Exchange after the close of the Share Offer. The Offeror does not intend to appoint any new Director. In the event that after the close of the Share Offer, the public float of the Company falls below 25%, the Offeror and Mr. Sung will undertake to the Stock Exchange to take appropriate steps to ensure that the minimum public float of not less than 25% of the issued Shares as required under the Listing Rules will be restored or maintained (as applicable) following the close of the Share Offer.

Based on the above, we consider that the Share Offer represents an alternative opportunity for the Independent Shareholders to realise their investment in the Company.

(v) Prospects of the Group

As disclosed in interim report of the Company for the six months ended 30 June 2013, macro-economic uncertainty as a result of the Chinese government policies on down-payment, mortgage requirements, purchase restrictions and increase of capital gain tax from selling of residential properties as mentioned above, and the risk of a slower economic growth are still factors to reckon with. The lack of notable recovery in consumer confidence will continue to pose challenges and opportunities to the furniture industry in China. The Group believes that investments in brand building and proactive management of sales channels are crucial to the healthy development of an enterprise in the long run. Therefore, the Group will continue to implement prudent and flexible operation strategy, and to strengthen its position in the medium to high-end home furniture market with its plan to explore opportunities on distribution network expansion, as well as collaboration with property developers for home furniture projects in the PRC. To enhance their competitive strength, the Group will continue to actively participate in various international furniture exhibitions and marketing promotions and strengthen their design capacity.

As mentioned in the paragraph headed "Review of financial position/performance of the Group – profit alert for the year ended 31 December 2013" above, based on the information currently available to the Group, the Group is expected to record a loss for the six months ended 31 December 2013. Notwithstanding the expected decline in the Group's results in the second half of 2013, the Group is still expected to record a profit for the year ended 31 December 2013 as compared to a loss recorded for the year ended 31 December 2012. The expected profit for the year ended 31 December 2013 was primarily attributed to the improvement in gross profit margins of the panel furniture of the Group as compared to year 2012. However there is a decrease in the Group's gross profit margin for the second half of 2013 as compared to that for the first half of 2013.

As discussed in the section headed "Review of financial position/performance of the Group" in this letter, many newly built home units were smaller in size, which led to a drop in demand for large size classical furniture and resulted in diminished turnover from panel furniture segment in 2012. Despite the increase in revenue and gross profit margin for the six months ended 30 June 2013, we were informed by the management of the Group that the revenue and gross profit margin of large size classical furniture continued to decrease in 2013. The Group has allocated more resources to the research and development of new products (i.e. smaller size furniture) in response to the market changes. The market response to the new products has yet to be proven.

It was also disclosed in the Letter from SW Capital as contained in the Composite Document that the existing principal business of the Group will continue after completion of the Share Offer and the Offeror does not intend to introduce any major changes to the existing operation and business of the Group.

Based on the above, we note that the prospects of the Group will depend on a number of macro political and economic factors as discussed above as well as on whether the Company could successfully implement its business strategies to turnaround its financial performance (i.e. market response to the new products), in particularly, on the classical furniture segment which has been dropping since the financial year ended 31 December 2012. Accordingly, we consider that it is unlikely that the operating performance of the Group will have a significant growth in short-term.

RECOMMENDATION ON THE SHARE OFFER

Having considered the principal factors set out above, in particular, the following:

(i) the Offer Price is above the historical closing prices of the Shares during most of the trading days within the Review Period despite that the Share price rose suddenly to a level higher than the Offer Price from 1 November 2013 onwards up to the Latest Practicable Date;

(ii) the low liquidity of trading of the Shares during the Review Period and the Share Offer provides an opportunity to the Independent Shareholders to dispose of their Shares, especially to those who have relatively sizeable shareholdings in the Company and their disposals may cast downward pressure on market price of the Shares;

(iii) the Company recorded a loss for the year ended 31 December 2012 and published a profit alert announcement on 9 January 2014 stating that the Group's result is expected to decline for the six months ended 31 December 2013 despite a profit for the six months ended 30 June 2013 and the Company is still expected to record a profit for the year ended 31 December 2013;

(iv) Based on the above, we note that the prospects of the Group will depend on a number of macro political and economic factors as discussed above as well as on whether the Company could successfully implement its business strategies to turnaround its financial performance (i.e. market response to the new products), in particularly, on the classical furniture segment which has been dropping since the financial year ended 31 December 2012. Accordingly, we consider that it is unlikely that the operating performance of the Group will have a significant growth in short-term; and

(v) the Share Offer provides an opportunity for the Independent Shareholders to realise all or part of their investments in the Company at the Offer Price without having an adverse impact on the Share price,

and having further considered our view that the Offer Price is acceptable, despite that the P/B Ratio as represented by the Offer Price is below the mean and median of those of the Comparable Companies, due to the reasons that (a) the closing price level of the Shares during the Review Period also represents the P/B Ratios which are below the mean and median of those of the Comparable Companies; (b) the financial performance of the Company seems uncertain as evidenced by its loss recorded for the year ended 31 December 2012 and the two profit alert announcements dated 22 July 2013 and 9 January 2014; and (c) the P/B Ratio as represented by the Offer Price is still in the range of those of the Comparable Companies,

we consider that the terms of the Share Offer, on balance, are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Board Committee to recommend to the Independent Shareholders to accept the Share Offer.

However, given the surge of the Share price from November 2013 onwards up to the Latest Practicable Date and that the Offer Price is at a discount to the current market prices of the Shares, we recommend the Independent Board Committee to remind the Independent Shareholders to carefully closely monitor the market price and liquidity of the Shares during the Offer Period and consider selling their Shares in the open market during the Offer Period, where possible, rather than accepting the Share Offer, if the net proceeds from the sale of such Shares in the open market would exceed the net amount receivable under the Share Offer.

On the other hand, for those Independent Shareholders who wish to retain some or all of their Shares as they are attracted by and confident in the prospects and/or the management of the Group after the close of the Share Offer or otherwise, they should carefully consider the intention of the Offeror regarding the Group, details of which are set out in the Letter from SW Capital. In any event, the Independent Shareholders should note the possibility that the generally thin trading volume recorded during most of the Review Period may render them difficult to dispose of their Shares in the market after the close of the Share Offer without exerting downward pressure on the price of the Shares.

Furthermore, Independent Shareholders are also reminded that their decisions to dispose or hold their investment in the Shares are subject to their individual circumstances and investment objectives and we would recommend any Independent Shareholder who may require advice in relation to any aspect of the Composite Document, or as to the action to be taken, to consult a licensed securities dealer, bank manager, solicitor, professional accountant, tax adviser or other professional adviser. Independent Shareholders should read carefully the procedures for accepting the Share Offer as detailed in the Appendix I – Further terms of acceptance of the Share Offer and are strongly advised that the decision to realise or to hold their investment in the Shares is subject to individual circumstances and investment objectives.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung	**Hickman Wong**
Managing Director	*Director*

1. TERMS OF THE SHARE OFFER

Procedure for acceptance of the Share Offer

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in your name, and you wish to accept the Share Offer, you must send the accompanying Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar by no later than 4:00 p.m. on 12 February 2014.

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Share(s) is/are in the name of a nominee company or some names other than your own, and you wish to accept the Share Offer whether in full or in respect of part of your Shares, you must either:

(i) lodge your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) with the nominee company, or other nominee with instructions authorising it to accept the Share Offer, on your behalf and requesting it to deliver the accompanying Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(ii) arrange for the Shares to be registered in your name by the Company through the Registrar and send the accompanying Form of Acceptance duly completed together with the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) to the Registrar; or

(iii) if your Shares have been lodged with your licensed securities dealer/custodian bank through CCASS, you must instruct your licensed securities dealer/custodian bank to authorise HKSCC Nominees Limited to accept the Share Offer on your behalf on or before the deadline set out by HKSCC Nominees Limited. In order to meet the deadline set by HKSCC Nominees Limited, you should check with your licensed securities dealer/custodian bank for the timing on the processing of your instruction, and submit your instruction to your licensed securities dealer/custodian bank as required by them; or

(iv) if your Shares have been lodged with your Investor Participant's Account with CCASS, authorise your instruction via the CCASS Phone System or CCASS Internet System on or before the deadline set out by HKSCC Nominees Limited.

If you have lodged transfer(s) of any of your Shares for registration in your name and have not yet received your Share certificate(s) and you wish to accept the Share Offer in respect of your holding of the Shares, you should nevertheless complete the accompanying Form of Acceptance and deliver it to the Registrar together with the transfer receipt(s) duly signed by yourself. Such action will be deemed to be an irrevocable authority to the Offeror or its agent(s) to collect from the Company or the Registrar, on your behalf, the relevant Share certificate(s) when issued and to deliver such Share certificate(s) to the Registrar and to authorise and instruct the Registrar to hold such Share certificate(s), subject to the terms of the Share Offer, as if it was/they were delivered to the Registrar with the accompanying Form of Acceptance.

If the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of your Shares is/are not readily available and/or is/are lost (as the case may be) and you wish to accept the Share Offer in respect of your Shares, the accompanying Form of Acceptance should nevertheless be completed and delivered to the Registrar together with a letter stating that you have lost one or more of your Share certificate(s) and/or transfer receipts and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) or that it/they is/are not readily available. If you find such document(s) or it/they become(s) available, the relevant Share certificate(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) should be forwarded to the Registrar as soon as possible thereafter. If you have lost your Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title(s), you should also write to the Registrar to request for a form of letter of indemnity which, when completed in accordance with the instructions given therein, should be returned to the Registrar.

Acceptance of the Share Offer by the Independent Shareholders will be treated as valid only if the completed Form of Acceptance is received by the Registrar by no later than 4:00 p.m. on Wednesday, 12 February 2014 or such later time and date as the Offeror may determine, with the consent of the Executive, and announce in compliance with the Takeovers Code, and is:

(i) accompanied by the relevant Share certificate(s) and/or transfer receipt(s) and/or other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and, if those Share certificate(s) is/are not in your name, such other documents in order to establish your right to become the registered holder of the relevant Shares; or

(ii) from a registered Shareholder or his personal representative (but only up to the amount of the registered holding and only to the extent that the acceptance relates to Shares which are not taken into account under another sub-paragraph of this paragraph); or

(iii) certified by the Registrar or the Stock Exchange.

If the Form of Acceptance is executed by a person other than the registered Shareholders, appropriate documentary evidence of authority to the satisfaction of the Registrar must be produced.

No acknowledgement of receipt for any Form(s) of Acceptance, Share certificate(s), transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) will be given.

The Registrar is Computershare Hong Kong Investor Services Limited and its address is at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

2. ACCEPTANCE PERIOD AND REVISIONS

The Share Offer will remain open for acceptance until 4:00 p.m. on Wednesday, 12 February 2014 unless extended or revised in accordance with the Takeovers Code.

The Share Offer may be revised at any time up to the Closing Date. If the Share Offer is revised, such revised Share Offer will remain open for acceptance for a period of at least 14 days from the date of posting of the written notification of the revision to the Independent Shareholders, and the Offeror will comply with any other relevant requirements under the Takeovers Code.

3. ANNOUNCEMENTS

By 6:00 p.m. on the Closing Date, or such later time and/or date as the Executive may agree, the Offeror shall inform the Executive and the Stock Exchange of its intentions in relation to the revision or the extension or expiry of the Share Offer. The Offeror shall publish an announcement through the Stock Exchange's website by 7:00 p.m. on the Closing Date, stating whether the Share Offer has been revised, extended or have expired. The Offeror shall publish a notification of such announcement on the next Business Day. The announcement shall state:

(i) the total number of Shares and rights over Shares for which valid acceptances of the Share Offer have been received;

(ii) the total number of Shares and rights over Shares held, controlled or directed by the Offeror, Mr. Sung or parties acting in concert with any of them before the Offer Period; and

(iii) the total number of Shares and the rights over Shares acquired or agreed to be acquired during the Offer Period by the Offeror, Mr. Sung or any parties acting in concert with any of them, during the Offer Period.

The announcement shall include details of any relevant securities in the Company which the Offeror, Mr. Sung or any person acting in concert with any of them has borrowed or lent, save for any borrowed Shares which have been either on-lent or sold.

The announcement shall also specify the percentages of the relevant classes of issued share capital of the Company and the percentages of voting rights represented by these numbers of Shares.

4. RIGHT OF WITHDRAWAL

Acceptances of the Share Offer tendered by Independent Shareholders shall be irrevocable and cannot be withdrawn, except in the circumstances set out below.

If the Offeror is unable to comply with the requirements set out in paragraph 3 of this appendix, under Rule 19.2 of the Takeovers Code, the Executive may require that the Independent Shareholders who tendered acceptances of the Share Offer be granted a right of withdrawal on terms acceptable to the Executive until the requirements set out in that paragraph are met.

5. SETTLEMENT

Provided that (a) valid Form of Acceptance and/or the relevant Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) are in complete and good order in all respects and have been received by the Registrar by no later than 4:00 p.m. on the Closing Date for the acceptance of the Share Offer, a cheque for the amount representing the cash consideration due to each accepting Independent Shareholder in respect of the Shares tendered by him/her or his/her agent(s) under the Share Offer, less seller's ad valorem stamp duty payable by him/her in the case for tendered Shares, will be despatched to each accepting Independent Shareholder by ordinary post at his/her own risk as soon as possible but in any event within 7 Business Days from the date of receipt of duly completed acceptances together with all the valid requisite documents by the Registrar in accordance with the Takeovers Code.

Settlement of the consideration to which any Independent Shareholder is entitled under the Share Offer will be implemented in full in accordance with the terms of the Share Offer, without regard to any lien, right of set-off, counterclaim or other analogous right to which the Offeror may otherwise be, or claim to be, entitled against such Shareholder. If the Share Offer is withdrawn with the consent of the Executive in accordance with the Takeovers Code, the Offeror shall, as soon as possible but in any event within 10 days thereof, return by ordinary post the Share certificate(s) and/or transfer receipt(s) and/or any other document(s) of title (and/or any satisfactory indemnity or indemnities required in respect thereof) in respect of the Shares lodged with the Form of Acceptance to the relevant Independent Shareholders who have tendered acceptances to the Share Offer. No fraction of a cent will be payable and the amount of the consideration payable to an Independent Shareholder who accepts the Share Offer will be rounded up to the nearest cent.

6. GENERAL

All communications, notices, Form of Acceptance, Share certificates, transfer receipts, other documents of title (and/or any satisfactory indemnity or indemnities required in respect thereof) and remittances to be delivered by or sent to or from the Independent Shareholders will be delivered by or sent to or from them, or their designated agents, at their own risk, and none of the Offeror and parties acting in concert with it, the Company, SW Capital, SW Securities, the Independent Financial Adviser, LCH (Asia-Pacific) Surveyors Limited, Baker Tilly Hong Kong Limited, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Share Offer accepts any liability for any loss in postage or any other liabilities that may arise as a result.

The provisions set out in the accompanying Form of Acceptance form part of the terms of the Share Offer.

The accidental omission to despatch this Composite Document and/or the Form of Acceptance or any of them to any person to whom the Share Offer are made will not invalidate the Share Offer in any way.

The Share Offer and all acceptances will be governed by and construed in accordance with the laws of Hong Kong. The Share Offer is made in accordance with the Takeovers Code.

Due execution of the Form of Acceptance will constitute an authority to the Company, any director of the Offeror, SW Capital, SW Securities or such person or persons as any of them may direct to complete and execute any document on behalf of the person or persons accepting the Share Offer and to do any other act that may be necessary or expedient for the purposes of vesting in the Offeror or such person or persons as it may direct the Shares in respect of which such person or persons has/have accepted the Share Offer.

Acceptance of the Share Offer by any person or persons will be deemed to constitute a warranty by such person or persons to the Offeror and SW Securities that the Shares acquired under the Share Offer are sold by any such person or persons free from all liens, claims and encumbrances and together with all rights attaching and accruing thereto including the right to receive all future dividends or other distributions, if any, declared, paid or made on the Shares on or after the date of despatch of this Composite Document.

Seller's Hong Kong ad valorem stamp duty on acceptances of the Share Offer at a rate of 0.1% (HK$1.00 for every HK$1,000 (or part thereof)) of the consideration payable in respect of the relevant acceptance by the Shareholders or, if higher, the market value of the Offer Shares, will be deducted from the amount payable to Shareholders who accept the Share Offer. The Offeror will bear the buyer's Hong Kong ad valorem stamp duty as purchaser of the Offer Shares and will arrange for the payment of the stamp duty in connection with such sales and purchases.

References to the Share Offer in this Composite Document and in the accompanying Form of Acceptance shall include any extension and/or revision thereof.

The English text of this Composite Document and the accompanying Form of Acceptance shall prevail over their respective Chinese texts for the purpose of interpretation.

7. IMPORTANT NOTE TO THE SHAREHOLDER(S) OUTSIDE HONG KONG

The Share Offer is made in respect of securities of a company incorporated in BVI and re-domiciled and continued in Bermuda and is subject to the statutory procedural and disclosure requirements of Hong Kong, which may be different from those of other jurisdictions. The Offeror intends to make the Share Offer available to all Shareholders, including those with registered addresses, as shown in the register of members of the Company, outside Hong Kong. The availability of the Share Offer to persons not resident in Hong Kong and the ability of Shareholders outside of Hong Kong to participate in the Share Offer will however be subject to, and may be limited by, the laws and regulations of their respective jurisdictions.

The making of the Share Offer to persons with registered addresses in jurisdiction outside Hong Kong may be prohibited or limited by the laws of the relevant jurisdiction. Overseas Shareholders who are citizens, residents or nationals of a jurisdiction outside Hong Kong should observe any applicable legal or regulatory requirements and, where necessary, seek legal advice. It is the responsibility of Overseas Shareholders who wish to accept the Share Offer to satisfy themselves as to the full observance of the laws and regulations of the relevant jurisdictions in connection with the acceptance of the Share Offer (including the obtaining of any governmental or other consent which may be required or the compliance with other necessary formalities and the payment of any transfer or other taxes due by such Overseas Shareholders in respect of such jurisdictions).

8. TAX IMPLICATIONS

Independent Shareholders are recommended to consult their own professional advisers if they are in any doubt as to the taxation implications of their acceptance of the Share Offer. It is emphasised that none of the Offeror and parties acting in concert with it, the Company and its ultimate beneficial owners and parties acting in concert with any of them, SW Capital, SW Securities, the Independent Financial Adviser, LCH (Asia-Pacific) Surveyors Limited, Baker Tilly Hong Kong Limited, the Registrar or any of their respective directors or professional advisers or any other parties involved in the Share Offer or any of their respective agents is in a position to advise the Independent Shareholders on their individual tax implications nor accepts responsibility for any taxation effects on, or liabilities of, any person or persons as a result of their acceptance of the Share Offer.

1. THREE-YEAR SUMMARY OF FINANCIAL INFORMATION

The following is a summary of the financial results of the Group for each of the three years ended 31 December 2010, 2011 and 2012 and the six months ended 30 June 2013 which is extracted from the audited consolidated financial statements of the Group as set forth in the annual reports of the Company for the three years ended 31 December 2010, 2011, and 2012 and the unaudited consolidated financial statement of the Group as set forth in the interim report of the Company for the six months ended 30 June 2013.

The auditors of the Company for each of the three years ended 31 December 2010, 2011 and 2012, Baker Tilly Hong Kong Limited, did not issue any qualified opinion on the financial statements of the Group for each of the three years ended 31 December 2010, 2011 and 2012.

The Group did not have any items which are exceptional because of size, nature or incidence for each of the three years ended 31 December 2010, 2011 and 2012 and for the six months ended 30 June 2013.

(i) Consolidated income statement

	For the six months ended 30 June 2013	For the year ended 31 December		
	2013	2012	2011	2010
	(Unaudited)	(Audited)	(Audited)	(Audited)
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Turnover	292,616	604,595	633,008	506,693
Cost of sales	(233,320)	(505,790)	(486,786)	(383,583)
Gross profit	59,296	98,805	146,222	123,110
Other income	4,902	5,407	6,733	3,551
Selling and distribution expenses	(32,762)	(85,741)	(62,203)	(45,819)
Administrative expenses	(22,489)	(50,987)	(39,678)	(32,737)
(Loss)/profit from operating activities	8,947	(32,516)	51,074	48,105
Finance costs	(2,972)	(4,513)	(2,437)	(2,635)
(Loss)/profit before taxation	5,975	(37,029)	48,637	45,470
Income tax	(1,518)	(1,677)	(2,914)	(5,170)
(Loss)/profit for the year/the period	4,457	(38,706)	45,723	40,300
Attributable to:				
Equity shareholders of the Company	5,031	(40,520)	41,418	40,003
Non-controlling interests	(574)	1,814	4,305	297
(Loss)/profit for the year/the period	4,457	(38,706)	45,723	40,300
(Loss)/earnings per share (HK cents)				
– Basic	2.08	(16.72)	18.01	19.89
– Diluted	2.08	(16.72)	17.81	19.61
Dividends				
Final dividend	N/A	–	4,727	7,757
Interim dividend	–	–	5,575	3,400
	–	–	10,302	11,157
Dividend per share (HK cents)				
Final dividend	N/A	–	1.95	3.20
Interim dividend	–	–	2.30	1.70
	–	–	4.25	4.90

(ii) Assets and Liabilities

	(Audited) As at 31 December		
	2012	**2011**	**2010**
	HK$'000	*HK$'000*	*HK$'000*
Total assets	725,194	736,628	517,776
Total liabilities	363,343	328,928	216,714
Net assets	361,851	407,700	301,062

2. FINANCIAL INFORMATION OF THE COMPANY FOR THE YEAR ENDED 31 DECEMBER 2012

The following is the full text of the audited consolidated financial statements of the Group for the year ended 2012 extracted from the annual report of the Company for the year ended 31 December 2012:

Consolidated income statement
for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 HK$'000	2011 HK$'000
Turnover	4	604,595	633,008
Cost of sales		(505,790)	(486,786)
Gross profit		98,805	146,222
Other income	5	5,407	6,733
Selling and distribution expenses		(85,741)	(62,203)
Administrative expenses		(50,987)	(39,678)
(Loss)/profit from operating activities		(32,516)	51,074
Finance costs	6(a)	(4,513)	(2,437)
(Loss)/profit before taxation	6	(37,029)	48,637
Income tax	7	(1,677)	(2,914)
(Loss)/profit for the year		(38,706)	45,723
Attributable to:			
Equity shareholders of the Company	10	(40,520)	41,418
Non-controlling interests		1,814	4,305
(Loss)/profit for the year		(38,706)	45,723
(Loss)/earnings per share (HK cents)	12		
– Basic		(16.72)	18.01
– Diluted		(16.72)	17.81

Consolidated statement of comprehensive income
for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 HK$'000	2011 HK$'000
(Loss)/profit for the year		(38,706)	45,723
Other comprehensive (loss)/income for the year	11		
Exchange differences on translation of financial statements of overseas subsidiaries		(249)	12,107
Available-for-sale investments:			
Gain/(loss) on fair value changes of available-for-sale investments		18	(15)
Reclassification adjustments upon disposal of available-for-sale investments		–	(2,563)
		(231)	9,529
Total comprehensive (loss)/income for the year		(38,937)	55,252
Attributable to:			
Equity shareholders of the Company		(40,751)	50,947
Non-controlling interests		1,814	4,305
Total comprehensive (loss)/income for the year		(38,937)	55,252

Consolidated statement of financial position
as at 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Property, plant and equipment	14	301,947	266,997
Prepaid lease payments	15	48,660	49,791
Goodwill	16	52,120	52,120
Available-for-sale investments	18	65	44
		402,792	368,952
Current assets			
Prepaid lease payments	15	1,119	1,119
Inventories	19	118,376	111,442
Trade and other receivables	20	107,998	120,728
Restricted bank deposits	21	1,517	10,757
Cash and cash equivalents	22	93,392	123,630
		322,402	367,676
Current liabilities			
Trade and other payables	23	241,968	201,303
Current portion of bank borrowings	24	77,774	124,904
Current taxation	25(a)	1,191	2,721
		320,933	328,928
Net current assets		1,469	38,748
Total assets less current liabilities		404,261	407,700
Non-current liabilities			
Other payables	23	6,647	–
Non-current portion of bank borrowings	24	35,763	–
		42,410	–
NET ASSETS		361,851	407,700
CAPITAL AND RESERVES	28		
Share capital		2,424	2,424
Reserves		351,944	396,887
Total equity attributable to equity shareholders of the Company		354,368	399,311
Non-controlling interests		7,483	8,389
Total equity		361,851	407,700

Statement of financial position
as at 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 HK$'000	2011 HK$'000
Non-current assets			
Investments in subsidiaries	17	156	156
Current assets			
Prepayments, deposits and other receivables	20	12	31
Dividend receivable from a subsidiary	17	61,175	61,175
Amount due from a subsidiary	17	104,427	104,742
Cash and cash equivalents	22	325	6,587
		165,939	172,535
Current liabilities			
Other payables and accrued charges	23	1,080	2,760
Net current assets		164,859	169,775
NET ASSETS		165,015	169,931
CAPITAL AND RESERVES	28		
Share capital		2,424	2,424
Reserves		162,591	167,507
Total equity		165,015	169,931

Consolidated statement of changes in equity

for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

		Attributable to equity shareholders of the Company											
	Note	Share capital *(note 28 (c))* *HK$'000*	Share premium *(note 28(d)(i))* *HK$'000*	Exchange reserve *(note 28(d)(ii))* *HK$'000*	Statutory reserve fund *(note 28(d)(iii))* *HK$'000*	Merger reserve *(note 28(d)(iv))* *HK$'000*	Share option reserve *(note 28(d)(v))* *HK$'000*	Fair value reserve *(note 28(d)(vi))* *HK$'000*	Capital reserve *(note 28(d)(vii))* *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total equity *HK$'000*
Balance at 1 January 2011		2,060	83,623	28,345	8,765	25,430	5,875	2,573	(6,486)	150,877	301,062	–	301,062
Changes in equity for 2011:													
Profit for the year		–	–	–	–	–	–	–	–	41,418	41,418	4,305	45,723
Other comprehensive income	11	–	–	12,107	–	–	–	(2,578)	–	–	9,529	–	9,529
Total comprehensive income for the year		–	–	12,107	–	–	–	(2,578)	–	41,418	50,947	4,305	55,252
Dividends approved in respect of the previous year	28(b)	–	–	–	–	–	–	–	–	(7,757)	(7,757)	–	(7,757)
Acquisition of subsidiaries	29	364	57,882	–	–	–	–	–	–	–	58,246	4,084	62,330
Equity-settled share-based transactions		–	–	–	–	–	2,388	–	–	–	2,388	–	2,388
Appropriation of reserve		–	–	–	832	–	–	–	–	(832)	–	–	–
Dividends declared in respect of the current year	28(b)	–	–	–	–	–	–	–	–	(5,575)	(5,575)	–	(5,575)
Balance at 31 December 2011 and 1 January 2012		2,424	141,505	40,452	9,597	25,430	8,263	(5)	(6,486)	178,131	399,311	8,389	407,700
Changes in equity for 2012:													
Loss for the year		–	–	–	–	–	–	–	–	(40,520)	(40,520)	1,814	(38,706)
Other comprehensive loss	11	–	–	(249)	–	–	–	18	–	–	(231)	–	(231)
Total comprehensive loss for the year		–	–	(249)	–	–	–	18	–	(40,520)	(40,751)	1,814	(38,937)
Dividends approved in respect of the previous year	28(b)	–	–	–	–	–	–	–	–	(4,727)	(4,727)	–	(4,727)
Equity-settled share-based transactions		–	–	–	–	–	535	–	–	–	535	–	535
Dividends paid to non-controlling interests		–	–	–	–	–	–	–	–	–	–	(2,720)	(2,720)
Balance at 31 December 2012		2,424	141,505	40,203	9,597	25,430	8,798	13	(6,486)	132,884	354,368	7,483	361,851

Consolidated cash flow statement
for the year ended 31 December 2012
(Expressed in Hong Kong dollars)

	Note	2012 HK$'000	2011 HK$'000
Operating activities			
(Loss)/profit before taxation		(37,029)	48,637
Adjustments for:			
Amortisation of prepaid lease payments	6(c)	1,115	1,119
Depreciation	6(c)	13,045	11,551
Dividend income from available-for-sale investments	5	(3)	(89)
Equity-settled share-based payment expenses		535	2,388
Write-down of inventories recognised	6(c)	9,152	9,014
Impairment of trade receivables recognised/(reversed)	6(c)	2,060	(358)
Interest expense	6(a)	4,513	2,437
Interest income	5	(249)	(973)
Loss/(gain) on disposal of property, plant and equipment (net)	6(c)	733	(20)
Loss on disposal of available-for-sale investments	5	–	2,187
Reclassification from equity on disposal of available-for-sale investments	5	–	(2,563)
Operating (loss)/profit before changes in working capital		(6,128)	73,330
Increase in inventories		(16,113)	(27,119)
Decrease/(increase) in trade and other receivables		10,487	(25,285)
Increase in trade and other payables		52,062	50,115
Cash generated from operations		40,308	71,041
Interest received		249	973
Interest paid		(7,099)	(4,710)
Hong Kong Profits Tax paid		(983)	–
PRC Enterprises Income Tax paid		(2,219)	(1,679)
Net cash generated from operating activities		30,256	65,625

	Note	2012 HK$'000	2011 HK$'000
Investing activities			
Net cash inflow from acquisition of subsidiaries	29	–	2,122
Decrease in restricted bank deposits		9,238	7,128
Dividends received from available-for-sale investments		–	89
Purchase of property, plant and equipment		(52,384)	(103,033)
Proceeds from disposal of property, plant and equipment		1,394	60
Proceeds from disposal of available-for-sale investments		–	5,034
Net cash used in investing activities		(41,752)	(88,600)
Financing activities			
Proceeds from new bank borrowings		53,428	84,434
Repayment of bank borrowings		(64,765)	(46,531)
Dividends paid	28(b)	(4,727)	(13,332)
Dividends paid to non-controlling interests		(2,720)	–
Net cash (used in)/generated from financing activities		(18,784)	24,571
Net (decrease)/increase in cash and cash equivalents		(30,280)	1,596
Cash and cash equivalents at beginning of the year		123,630	131,662
Effect of foreign exchange rate changes		42	(9,628)
Cash and cash equivalents at end of the year	22	93,392	123,630

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 17 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. These 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 these consolidated financial statements.

(b) Basis of preparation of the consolidated financial statements

The consolidated financial statements for the year ended 31 December 2012 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(f).

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 35.

(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 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.

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 (see note 2(f)).

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

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 (Revised 2008), *Business combinations*, are recognised at their fair values, except that:

– deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12, *Income taxes*, and HKAS 19, Employee benefits, respectively;

– liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2, *Share-based payment*; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5, *Non-current assets held for sale and discontinued operations*, are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after assessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Where the consideration the Group transfers in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date.

Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with HKAS 39, or HKAS 37, *Provisions, contingent liabilities and contingent assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognised in profit or loss.

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

(e) Goodwill

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(i)).

On disposal of a cash generating unit during the year, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) 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(s)(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 at amortised cost less impairment losses (see note 2(i)).

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

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(s)(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(s)(iii). When these investments are derecognised or impaired (see note 2(i)), 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.

(g) Property, plant and equipment

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

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(i)). 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.

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.

(h) Leased assets

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

(i) Classification of assets leased to the Group

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

(ii) 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.

(i) Impairment of assets

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

Investments in debt and equity securities 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;

– 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 investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(i)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(i)(ii).

– 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 these financial assets 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.

– 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, except in the case of goodwill, 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 land classified as being held under an operating lease; and

– goodwill.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– 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

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

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.

(j) 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.

(k) 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.

(l) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(i)), 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.

(m) 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.

(n) 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(r)(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.

(o) Cash and cash equivalents

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

(p) 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.

(q) 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 goodwill not deductible for tax purposes, 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.

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.

(r) 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(r)(iii) 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) *Contingent liabilities assumed in business combinations*

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After their initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be determined in accordance with note 2(r)(iii). Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed in accordance with note 2(r)(iii).

(iii) *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.

(s) 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.

(v) Government grants

Government grants are recognised in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as revenue in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted from the carrying amount of the asset and consequently are effectively recognised in profit or loss over the useful life of the asset by way of reduced depreciation expense.

(t) 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.

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 the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

(u) 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.

(v) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

(w) 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 a number of amendments to HKFRSs that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

– Amendments to HKFRS 7, *Financial instruments: Disclosures – Transfers of financial assets*

– Amendments to HKAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*

Amendments to HKFRS 7, Financial instruments: Disclosures

The amendments to HKFRS 7 require certain disclosures to be included in the consolidated financial statements in respect of transferred financial assets that are not derecognised in their entirety and for any continuing involvement in transferred financial assets that are derecognised in their entirety, irrespective of when the related transfer transaction occurred. However, an entity need not provide the disclosures for the comparative period in the first year of adoption. The Group did not have any significant transfers of financial assets in previous periods or the current period which require disclosure in the current accounting period under the amendments.

Amendments to HKAS 12, Income taxes

Under HKAS 12 deferred tax is required to be measured with reference to the tax consequences that would follow from the manner in which the entity expects to recover the carrying amount of the asset(s) in question. In this regard, the amendments to HKAS 12 introduced a rebuttable presumption that the carrying amount of investment property carried at fair value under HKAS 40, Investment property, will be recovered through sale. This presumption is rebutted on a property-by-property basis if the investment property in question is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group does not have investment property and the adoption of these amendments had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

4 TURNOVER

The principal activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly panel furniture, sofa and bed mattresses and licensing of its own brands.

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:

	2012	**2011**
	HK$'000	*HK$'000*
Turnover		
Sale of goods	595,659	600,853
Licensing income	8,936	32,155
	604,595	633,008

5 OTHER INCOME

	2012	**2011**
	HK$'000	*HK$'000*
Available-for-sale investments		
– loss on disposal	–	(2,187)
– reclassified from equity on disposal	–	2,563
Bank interest income	249	973
Dividend income from available-for-sale investments	3	89
Gain on disposal of property, plant and equipment	–	20
Government grant (i)	4,618	4,545
Sales of scrap materials	232	405
Others	305	325
	5,407	6,733

(i) In 2012, the Group successfully applied for the funding support from the government of the People's Republic of China ("PRC") mainly for improvement of production and environmental protection facilities.

In 2011, the Group successfully applied for the funding support from the Shenzhen Enterprise Technical Innovation Project (深圳市企業技術改造項目) (the "Project") set up by the Shenzhen Bureau of Trade and Industry of the PRC. The purpose of the Project is to encourage enterprises to develop technical knowhow of different products.

6 (LOSS)/PROFIT BEFORE TAXATION

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

(a) Finance costs

	2012	**2011**
	HK$'000	*HK$'000*
Interest on bank borrowings repayable within 5 years (i)	7,358	4,710
Less: interest capitalised (ii)	(2,845)	(2,273)
	4,513	2,437

(i) The analysis shows the finance costs of bank borrowings, including those 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$3,125,000 (2011: HK$4,423,000).

(ii) Interest has been capitalised to construction in progress at an average annual rate of 8.08% (2011: 7.03%) during the year.

(b) Staff costs

	2012	**2011**
	HK$'000	*HK$'000*
Directors' remuneration *(note 8)*	2,832	5,068
Wages and salaries	112,210	87,672
Equity-settled share-based payment expenses*	135	1,748
Retirement scheme contributions*	6,933	5,725
	122,110	100,213

* excluded amount paid to directors

(c) Other items

	2012	**2011**
	HK$'000	*HK$'000*
Auditor's remuneration	880	897
Amortisation of prepaid lease payments	1,115	1,119
Bad debts written off	7	–
Cost of inventories sold# *(note 19(b))*	496,638	477,772
Depreciation	13,045	11,551
Loss/(gain) on disposal of property, plant and equipment, net	733	(20)
Net foreign exchange loss/(gain)	18	(3,245)
Write-down of inventories recognised	9,152	9,014
Impairment of trade receivables recognised/(reversed)	2,060	(358)
Operating lease rentals: minimum lease payments		
– land and buildings	10,853	13,311

\# Cost of inventories sold includes HK$89,950,000 (2011: HK$78,203,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, 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:

	2012	2011
	HK$'000	*HK$'000*
Current year provision		
– Hong Kong Profits Tax	1,400	585
– PRC Enterprise Income Tax	56	2,303
Prior year (over)/underprovision		
– Hong Kong Profits Tax	(29)	–
– PRC Enterprise Income Tax	250	26
	1,677	2,914

Reconciliation between tax expense and accounting (loss)/profit at applicable tax rate:

	2012	2011
	HK$'000	*HK$'000*
(Loss)/profit before taxation	(37,029)	48,637
Notional tax on (loss)/profit before taxation	(6,110)	8,025
Tax effect of non-deductible expenses (v)	1,173	2,528
Tax effect of non-taxable income (vi)	(2,724)	(7,752)
Tax effect of different tax rates of subsidiaries operating in the PRC	(4,504)	57
Tax effect of unrecognised temporary differences	57	52
Tax effect of utilisation of tax losses not recognised previously	(114)	(672)
Tax effect of unused tax losses not recognised	13,589	568
Prior year underprovision	221	26
Others	89	82
Actual tax expense	1,677	2,914

(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 2012 is calculated at 16.5% (2011: 16.5%) of the estimated assessable profit for the year.

(iii) Hing Lee Ideas Limited is subject to Company Income Tax in Malaysia. No provision for 2012 (2011: 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 ("Dongguan Super Furniture") was subject to the PRC Enterprise Income Tax ("EIT") rate of 25% in 2012 (2011: 25%).

Shenzhen Xingli Furniture Company Limited ("Shenzhen Xingli") was subject to the PRC EIT rate of 25% in 2012 (2011: 24%).

Shenzhen Xingli Zundian Furniture Company Limited was subject to the PRC EIT rate of 25% in 2012 (2011: 24%).

Shenzhen Oulo Furniture Company Limited ("Shenzhen Oulo") was subject to the PRC EIT rate of 12.5% for 2012 (2011: 12%).

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

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

8 DIRECTORS' REMUNERATION

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

	2012						
Name of director	**Directors' fees**	**Salaries**	**Discretionary bonuses**	**Retirement scheme contributions**	**Sub-total**	**Share-based payments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Sung Kai Hing *(Chairman)*	1,002	–	–	14	1,016	200	1,216
Cheung Kong Cheung	1,002	–	–	14	1,016	200	1,216
Non-executive director							
Fang Yan Zau, Alexander	100	–	–	–	100	–	100
Independent non-executive directors							
Sun Jian	100	–	–	–	100	–	100
Kong Hing Ki	100	–	–	–	100	–	100
Shao Hanqing	100	–	–	–	100	–	100
	2,404	–	–	28	2,432	400	2,832

	2011						
Name of director	**Directors' fees**	**Salaries**	**Discretionary bonuses**	**Retirement scheme contributions**	**Sub-total**	**Share-based payments**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Executive directors							
Sung Kai Hing *(Chairman)*	1,002	–	1,000	12	2,014	219	2,233
Cheung Kong Cheung	1,002	–	1,000	12	2,014	219	2,233
Non-executive director							
Fang Yan Zau, Alexander	100	–	–	–	100	–	100
Independent non-executive directors							
Sun Jian	100	–	–	–	100	120	220
Kong Hing Ki	100	–	–	–	100	41	141
Shao Hanqing	100	–	–	–	100	41	141
	2,404	–	2,000	24	4,428	640	5,068

(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(p)(ii).

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

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 (2011: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2011: three) individuals are as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Salaries and other emoluments	3,130	2,965
Retirement scheme contributions	41	48
Share-based payments	135	568
	3,306	3,581

The emoluments of the three (2011: three) individuals with the highest emoluments are within the following bands:

	2012	**2011**
	Number of individuals	*Number of individuals*
HK$Nil to HK$1,000,000	1	–
HK$1,000,001 to HK$1,500,000	2	3

10 (LOSS)/PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated (loss)/profit attributable to equity shareholders of the Company includes a loss of HK$724,000 (2011: a loss of HK$3,422,000), which has been dealt with in the financial statements of the Company.

11 OTHER COMPREHENSIVE (LOSS)/INCOME

Tax effects relating to each component of other comprehensive (loss)/income:

	2012			**2011**		
	Before tax amount	**Tax expense**	**Net-of-tax amount**	**Before tax amount**	**Tax expense**	**Net-of-tax amount**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translation of financial statements of overseas subsidiaries	(249)	–	(249)	12,107	–	12,107
Available-for-sale investments:						
Gain/(loss) on fair value changes of available-for-sale investments	18	–	18	(15)	–	(15)
Reclassification adjustments upon disposal of available-for-sale investments	–	–	–	(2,563)	–	(2,563)
Other comprehensive (loss)/income	(231)	–	(231)	9,529	–	9,529

12 (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK$40,520,000 (2011: profit of HK$41,418,000) and the weighted average number of 242,398,675 (2011: 230,031,289) ordinary shares in issue during the year. The weighted average number of ordinary shares is calculated as follows:

	2012 Number of shares	**2011 Number of shares**
Issued ordinary shares at 1 January	242,398,675	205,994,675
Effect of shares issued relating to acquisition of subsidiaries	–	24,036,614
Weighted average number of ordinary shares at 31 December	242,398,675	230,031,289

(b) Diluted (loss)/earnings per share

No adjustment has been made to the basic loss per share amount presented for the year ended 31 December 2012 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic loss per share amount presented.

The calculation of diluted earnings per share for the year ended 31 December 2011 was based on the profit attributable to ordinary equity shareholders of the Company of HK$41,418,000 and the weighted average number of ordinary shares (diluted) of 232,527,403 shares calculated as follows:

	2011 *Number of shares*
Weighted average number of ordinary shares at 31 December	230,031,289
Effect of deemed issue of shares under the Company's share option scheme for nil consideration *(note 27)*	2,496,114
Weighted average number of ordinary shares (diluted) at 31 December	232,527,403

13 SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

Panel furniture:	Design, manufacture, sale and marketing of wood panel furniture and licensing of own brand names
Upholstered furniture:	Design, manufacture, sale and marketing of sofa and bed mattresses

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.

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments for the years ended 31 December 2012 and 2011 is set out below:

	2012				2011			
	Panel-furniture	Upholstered furniture	Unallocated	Consolidated	Panel-furniture	Upholstered furniture	Unallocated	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	460,392	144,203	–	604,595	476,750	156,258	–	633,008
Inter-segment revenue	–	3,352	–	3,352	–	5,132	–	5,132
Reportable segment revenue	460,392	147,555	–	607,947	476,750	161,390	–	638,140
Interest income	–	–	249	249	–	–	973	973
Interest expense	–	–	(4,513)	(4,513)	–	–	(2,437)	(2,437)
Depreciation and amortisation	(12,072)	(2,088)	–	(14,160)	(10,957)	(1,713)	–	(12,670)
Reportable segment (loss)/profit	(41,111)	4,240	–	(36,871)	34,847	12,858	–	47,705
Other material non-cash items:								
Impairment of trade receivables (recognised)/reversed	(2,060)	–	–	(2,060)	224	134	–	358
Write-down of inventories (recognised)/reversed	(8,830)	(322)	–	(9,152)	(8,994)	(20)	–	(9,014)
Reportable segment assets	555,789	90,805	78,600	725,194	484,073	63,492	189,063	736,628
Expenditures for non-current assets	50,208	118	–	50,326	102,664	681	–	103,345
Reportable segment liabilities	216,856	31,851	114,636	363,343	162,309	12,764	153,855	328,928

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

	2012	2011
	HK$'000	*HK$'000*
Revenues		
Reportable segment revenue	607,947	638,140
Elimination of inter-segment revenue	(3,352)	(5,132)
Consolidated revenue *(note 4)*	604,595	633,008
Profit or loss		
Reportable segment (loss)/profit	(36,871)	47,705
Other income	5,407	6,733
Unallocated amounts:		
Interest expense	(4,513)	(2,437)
Other head office and corporate expenses	(1,052)	(3,364)
Consolidated (loss)/profit before taxation	(37,029)	48,637
Assets		
Total assets for reportable segments	646,594	547,565
Available-for-sale investments*	65	44
Unallocated head office and corporate assets	78,535	189,019
Consolidated total assets	725,194	736,628
Liabilities		
Total liabilities for reportable segments	248,707	175,073
Current taxation	1,191	2,721
Unallocated head office and corporate liabilities	113,445	151,134
Consolidated total liabilities	363,343	328,928

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

(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 and goodwill ("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.

	2012		**2011**	
	Revenues from external customers	**Specified non-current assets**	**Revenues from external customers**	**Specified non-current assets**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Asia (excluding the PRC)	170,045	1,301	188,473	1,823
Europe	34,616	–	27,870	–
PRC	341,013	401,426	384,810	367,085
The United States	39,782	–	22,521	–
Others	19,139	–	9,334	–
	604,595	402,727	633,008	368,908

Asia mainly covers Japan, Taiwan, Middle East and Southeast Asia; Europe mainly covers Sweden, Italy, Spain and Germany; and others mainly cover Canada, Africa and South America.

(d) Major customers

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenues in 2012 and 2011.

14 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings	Leasehold improvements	Motor vehicles	Office equipment	Plant and machinery	Construction in progress	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Cost							
At 1 January 2011	99,617	3,262	6,271	17,050	68,423	8,194	202,817
Exchange realignment	4,943	199	141	813	3,109	407	9,612
Acquisition of subsidiaries *(note 29)*	–	1,799	165	171	1,676	–	3,811
Additions	4,317	–	169	1,852	4,031	92,976	103,345
Disposals	–	–	(395)	–	–	–	(395)
At 31 December 2011	108,877	5,260	6,351	19,886	77,239	101,577	319,190
At 1 January 2012	108,877	5,260	6,351	19,886	77,239	101,577	319,190
Exchange realignment	(26)	(1)	(1)	(5)	(17)	(26)	(76)
Additions	–	20	711	2,866	16,660	30,069	50,326
Disposals	–	(2,422)	(1,259)	(1,326)	(18,787)	–	(23,794)
Transfer	110,462	–	–	–	18,079	(128,541)	–
At 31 December 2012	219,313	2,857	5,802	21,421	93,174	3,079	345,646
Accumulated depreciation							
At 1 January 2011	1,363	2,960	2,978	2,760	29,542	–	39,603
Exchange realignment	67	142	69	100	1,016	–	1,394
Charge for the year	2,149	542	901	1,898	6,061	–	11,551
Written back on disposals	–	–	(355)	–	–	–	(355)
At 31 December 2011	3,579	3,644	3,593	4,758	36,619	–	52,193
At 1 January 2012	3,579	3,644	3,593	4,758	36,619	–	52,193
Exchange realignment	9	2	1	6	14	–	32
Charge for the year	2,803	693	975	2,229	6,345	–	13,045
Written back on disposals	–	(2,422)	(1,259)	(1,112)	(16,778)	–	(21,571)
At 31 December 2012	6,391	1,917	3,310	5,881	26,200	–	43,699
Net book value							
At 31 December 2012	212,922	940	2,492	15,540	66,974	3,079	301,947
At 31 December 2011	105,298	1,616	2,758	15,128	40,620	101,577	266,997

At 31 December 2012, the Group had pledged its buildings and construction in progress with carrying value of HK$216,001,000 (2011: HK$206,875,000) to secure general banking facilities granted to the Group (note 24).

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 2011	53,291
Exchange realignment	2,646
At 31 December 2011	55,937
At 1 January 2012	55,937
Exchange realignment	(14)
At 31 December 2012	55,923
Accumulated amortisation	
At 1 January 2011	3,722
Exchange realignment	186
Charge for the year	1,119
At 31 December 2011	5,027
At 1 January 2012	5,027
Exchange realignment	2
Charge for the year	1,115
At 31 December 2012	6,144
Net book value	
At 31 December 2012	49,779
At 31 December 2011	50,910

An analysis for reporting purposes is as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Current portion	1,119	1,119
Non-current portion	48,660	49,791
	49,779	50,910

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 2012, the Group had pledged its leasehold land with carrying value of HK$49,779,000 (2011: HK$50,910,000) to secure general banking facilities granted to the Group (note 24).

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 GOODWILL

	The Group
	HK$'000
Cost	
At 1 January 2011	–
Additions *(note 29)*	52,120
At 31 December 2011, 1 January 2012 and 31 December 2012	52,120
Carrying amount	
At 31 December 2012	52,120
At 31 December 2011	52,120

Impairment tests for cash-generating units containing goodwill

Goodwill is allocated to the Group's cash generating units ("CGU") identified according to the business segment as follows:

	2012	**2011**
	HK$'000	*HK$'000*
Upholstered furniture	52,120	52,120

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period were then extrapolated using the estimate rates stated below for the following five years.

Key assumptions used for value in use calculations:

	2012	**2011**
Gross margin	22%	29%
Growth rate	0% – 10%	10%
Discount rate	6%	5%

Management determined the budgeted gross margin and growth rate based on past performance and its expectation for market development. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used is pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

During the years ended 31 December 2012 and 2011, management of the Group determined that there are no impairments of any of its CGU containing goodwill.

17 INVESTMENTS IN AND ACCOUNTS WITH A SUBSIDIARY

	The Company	
	2012	**2011**
	HK$'000	*HK$'000*
Unlisted shares, at cost	156	156
Dividend receivable from a subsidiary	61,175	61,175
Amount due from a subsidiary	104,427	104,742

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

Details of the Group's subsidiaries as at 31 December 2012 and 2011 are as follows:

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 2012	2011	Principal activity
Directly held by the Company					
Great Ample Holdings Limited (i)	BVI	US$20,001	100%	100%	Investment holding
Indirectly held through subsidiaries					
Glory Skill Investments Limited (i)	BVI	US$2,961	100%	100%	Investment holding
Springrich Investments Limited (i)	BVI	US$1	100%	100%	Investment holding
Success Profit International Limited (i)	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 (i)	BVI	US$4	100%	100%	Trademark holding/licensing
Hing Lee Ideas Limited (i)	Malaysia	US$1	100%	100%	Dormant

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 2012	2011	Principal activity
Renowned Idea Group Limited [i]	BVI	US$1	100%	100%	Dormant
Hing Lee Furniture Group Limited	Hong Kong	HK$3	100%	100%	Dormant
Hander International Limited	Hong Kong	HK$100	100%	100%	Investment holding
Hanmix Limited	Hong Kong	HK$1	100%	100%	Investment holding
Astromax Investment Limited ("Astromax") [i][ii]	BVI	US$100	60%	60%	Investment holding
City Leading Limited ("City Leading") [ii]	Hong Kong	HK$1	60%	60%	Trading of sofa
深圳興利尊典家具有限公司 (Shenzhen Xingli Zundian Furniture Company Limited) [i][iii]	PRC	RMB40,000,000	100%	100%	Design, manufacture, sale and marketing of home furniture
深圳興利家具有限公司 (Shenzhen Xingli Furniture Company Limited) [i][iii]	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) [i][iii]	PRC	US$1,680,000	100%	100%	Manufacture and sale of bed mattresses
深圳歐羅家具有限公司 (Shenzhen Oulo Furniture Company Limited) [i][ii][iii]	PRC	RMB8,500,000	60%	60%	Manufacture and sale of sofa

Notes:

(i) Companies not audited by Baker Tilly Hong Kong Limited.

(ii) Acquired in 2011 (note 29).

(iii) Companies registered under the laws of the PRC as foreign investment enterprises. The English translation of the company names is for reference only. The official names of these companies are in Chinese.

18 AVAILABLE-FOR-SALE INVESTMENTS

	The Group 2012 *HK$'000*	2011 *HK$'000*
Listed equity investments, at market value – Hong Kong	65	44

19 INVENTORIES

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

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Raw materials	22,024	17,918
Work in progress	18,880	18,542
Finished goods	64,685	67,292
Goods in transit	12,787	7,690
	118,376	111,442

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

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Carrying amount of inventories sold	496,638	477,772
Write-down of inventories recognised	9,152	9,014
	505,790	486,786

20 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade debtors and bills receivable	34,334	50,365	–	–
Less: allowance for doubtful debts *(note 20(b))*	(5,412)	(3,346)	–	–
	28,922	47,019	–	–
Deposits paid for purchase of property, plant and equipment	17,049	16,897	–	–
Deposits paid to suppliers	35,829	32,705	–	–
Value added tax recoverable	15,436	13,562	–	–
Other deposits, prepayments and receivables	10,762	10,545	12	31
	79,076	73,709	12	31
	107,998	120,728	12	31

The amount of the Group's and the Company's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$2,398,000 (2011: HK$2,680,000) and HK$nil (2011: HK$nil) respectively. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Current	23,899	35,731
Less than 3 months past due	1,086	4,428
3 to 6 months past due	2,616	3,455
6 to 12 months past due	358	1,862
More than 12 months past due	963	1,543
	28,922	47,019

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 30(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(i)(i)).

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

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
At 1 January	3,346	3,528
Exchange realignment	6	176
Impairment loss recognised/(reversed)	2,060	(358)
At 31 December	5,412	3,346

At 31 December 2012, the Group's trade debtors and bills receivable of HK$5,412,000 (2011: HK$3,346,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral over these balances.

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

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are set out in note 20(a).

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

Receivables that were past due but not impaired relate to customers that have good creditworthiness. Based on past experience, 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.

21 RESTRICTED BANK DEPOSITS

Included in the restricted bank deposits was a settlement guarantee of approximately HK$nil (2011: HK$7,062,000) 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 was released in 2012 upon the finalisation of the construction of the production facilities.

The remaining HK$1,517,000 (2011: HK$3,695,000) represents deposits pledged to secure banking facilities granted to the Group (note 24).

22 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits with banks	7,776	18,119	–	–
Cash at bank and on hand	87,133	116,268	325	6,587
	94,909	134,387	325	6,587
Less: restricted bank deposits *(note 21)*	(1,517)	(10,757)	–	–
Cash and cash equivalents	93,392	123,630	325	6,587

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2012	**2011**	**2012**	**2011**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Trade creditors and bills payable	167,415	131,914	–	–
Accrued charges	34,026	29,930	1,080	2,760
Accrued interest	259	–	–	–
Receipts in advance	29,500	18,293	–	–
Payables for purchase of property, plant and equipment	9,253	14,308	–	–
Other payables	8,162	6,858	–	–
	81,200	69,389	1,080	2,760
	248,615	201,303	1,080	2,760
Less: non-current portion of payables for purchase of property, plant and equipment classified as non-current liabilities	(6,647)	–	–	–
	241,968	201,303	1,080	2,760

The ageing analysis of trade creditors and bills payable as of the end of the reporting period is as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Within 3 months	124,777	113,860
3 months to 1 year	41,169	16,070
Over 1 year	1,469	1,984
	167,415	131,914

All trade and other payables, except for those balances classified as non-current liabilities, are expected to be settled within one year.

24 BANK BORROWINGS

The carrying amounts of bank borrowings are analysed as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Bank loans – secured	102,660	124,904
Trust receipt loans – secured	10,877	–
	113,537	124,904

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Current portion		
Due within 1 year	64,374	60,822
Due after 1 year which contain a repayment on demand clause	13,400	64,082
	77,774	124,904
Non-current portion	35,763	–
	113,537	124,904

At 31 December 2012, bank borrowings are repayable as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Within 1 year	64,374	60,822
After 1 year but within 2 years	22,738	22,742
After 2 years but within 5 years	26,425	41,340
	49,163	64,082
	113,537	124,904

The above 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.

Details on the interest rate profile of the Group are set out in note 30(a)(iii).

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 21); and

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

At 31 December 2012, the Group's banking facilities amounted to HK$146,456,000 (2011: HK$168,815,000). The facilities were utilised to the extent of HK$118,593,000 (2011: HK$137,222,000).

All of the Group's banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group was 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 30(a)(ii). At 31 December 2012, none of the covenants relating to drawn down facilities had been breached (2011: Nil).

25 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

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

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Hong Kong Profits Tax payable	1,026	638
PRC Enterprise Income Tax payable	165	2,083
	1,191	2,721

(b) Deferred taxation

At 31 December 2012, the Group has not recognised deferred tax liabilities relating to temporary differences of HK$104,000 (2011: HK$161,000).

At 31 December 2012, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$70,864,000 (2011: HK$14,327,000) as it is not probable that future taxable profits, against which the assets can be utilised, will be available in relevant tax jurisdiction and entity. Of the total tax losses, HK$56,838,000 (2011: HK$988,000) will expire within 5 years and the remaining tax losses of HK$14,026,000 (2011: HK$13,339,000) have no expiry date under the current tax legislation.

At 31 December 2012, the Group has unrecognised deferred tax liabilities of HK$1,880,000 (2011: HK$4,710,000) in relation to withholding tax on undistributed earnings of HK$37,603,000 (2011: HK$94,191,000) due to the retention of undistributed earnings by the Group's subsidiaries in the PRC determined by the directors of the Company.

The Company does not have any material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2011: Nil), and therefore, no provision for deferred tax has been made.

26 RETIREMENT BENEFIT PLANS

The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$25,000 (HK$20,000 prior to 1 June 2012). 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.

27 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

(a) Pre-IPO share option scheme adopted by the Company on 29 May 2009

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 and employees of the Group. Pursuant to a written resolution of the shareholders on 29 May 2009, the 2006 Scheme was terminated and all of the share options granted thereunder 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.

Under the Pre-IPO Share Option Scheme, the board of directors (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 providers, agents, customers and business partners of the Company and/or any of its subsidiaries.

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 stated 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.

(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:

					Number of share options			
Name of participants	Option scheme	Date of grant	Exercise price *HK$*	Vesting and exercise period	Outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Outstanding as at 31 December 2012
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
	2009 Share Option Scheme	5 May 2011	1.80	5 May 2012 to 4 May 2014 (50%) 1 Jan 2013 to 4 May 2014 (50%)	1,500,000	–	–	1,500,000
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
	2009 Share Option Scheme	5 May 2011	1.80	5 May 2012 to 4 May 2014 (50%) 1 Jan 2013 to 4 May 2014 (50%)	1,500,000	–	–	1,500,000

Name of participants	Option scheme	Date of grant	Exercise price *HK$*	Vesting and exercise period	Number of share options: Outstanding as at 1 January 2012	Granted during the year	Exercised during the year	Outstanding as at 31 December 2012
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
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	2,997,340	–	–	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
	2009 Share Option Scheme	5 May 2011	1.80	5 May 2012 to 4 May 2014 (50%) 1 Jan 2013 to 4 May 2014 (50%)	1,000,000	–	–	1,000,000
					24,992,020	–	–	24,992,020

(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 1 Jan 2012	23 April 2010 to 22 April 2013
– granted on 5 May 2011	3,000,000	Vesting from 5 May 2012 to 1 Jan 2013	5 May 2011 to 4 May 2014
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 1 Jan 2012	23 April 2010 to 22 April 2013
– granted on 5 May 2011	1,000,000	Vesting from 5 May 2012 to 1 Jan 2013	5 May 2011 to 4 May 2014
– exercised on 26 October 2010	(5,994,675)		
Total share options granted and outstanding	24,992,020		

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

	2012		2011	
	Weighted average exercise price *HK$*	**Number of share options**	**Weighted average exercise price** *HK$*	**Number of share options**
Outstanding at the beginning of the year	1.3539	24,992,020	1.2689	20,992,020
Granted during the year	–	–	1.80	4,000,000
Outstanding at the end of the year	1.3539	24,992,020	1.3539	24,992,020
Exercisable at the end of the year	1.3151	22,992,020	1.2077	14,992,020

The options outstanding at 31 December 2012 had an exercise price of HK$1.0647 to HK$1.8 (2011: HK$1.0647 to HK$1.8) and a weighted average remaining contractual life of 1.8 years (2011: 2.8 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.

The fair value of share options and assumptions used by the binomial lattice model in the valuation of options granted in 2011 are as follows:

	Options granted on 5 May 2011
Weighted average fair value at measurement date	HK$0.28
Share price	HK$1.60
Exercise price	HK$1.80
Expected volatility	40%
Option life	3 years
Expected dividend yield	2.47%
Risk-free interest rate	0.93%

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.

28 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

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

The Company

	Share capital	Share premium	Share option reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2011	2,060	83,623	5,875	34,493	126,051
Loss and total comprehensive loss for the year	–	–	–	(3,422)	(3,422)
Dividends approved in respect of the previous year	–	–	–	(7,757)	(7,757)
Shares issued relating to acquisition of subsidiaries	364	57,882	–	–	58,246
Equity-settled share-based transactions	–	–	2,388	–	2,388
Dividends declared in respect of the current year	–	–	–	(5,575)	(5,575)
Balance at 31 December 2011 and at 1 January 2012	2,424	141,505	8,263	17,739	169,931
Loss and total comprehensive loss for the year	–	–	–	(724)	(724)
Dividends approved in respect of the previous year	–	–	–	(4,727)	(4,727)
Equity-settled share-based transactions	–	–	535	–	535
Balance at 31 December 2012	2,424	141,505	8,798	12,288	165,015

(b) Dividends

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

	2012	2011
	HK$'000	*HK$'000*
Interim dividend declared and paid of HKnil cents per ordinary share (2011: HK2.30 cents per ordinary share)	–	5,575
Final dividend in respect of previous financial year, approved and paid during the year of HK1.95 cents per ordinary share (2011: HK3.20 cents per ordinary share)	4,727	7,757
	4,727	13,332
Final dividend proposed after the reporting period of HKnil cents per ordinary share (2011: HK1.95 cents per ordinary share)	–	4,727
	4,727	18,059

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

(c) Share capital

	2012		2011	
	Number of ordinary shares of HK$0.01 each	*Amount HK$'000*	*Number of ordinary shares of HK$0.01 each*	*Amount HK$'000*
Authorised:				
At 31 December	1,000,000,000	10,000	1,000,000,000	10,000
Issued and fully paid:				
At 1 January	242,398,675	2,424	205,994,675	2,060
Issued upon acquisition of subsidiaries *(note 29)*	–	–	36,404,000	364
At 31 December	242,398,675	2,424	242,398,675	2,424

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.

(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(t).

(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(p)(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(f) and 2(i)(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.

(e) Distributability of reserves

At 31 December 2012, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$153,793,000 (2011: HK$159,244,000), being the aggregate of the share premium and retained profits of the Company. The Company's share premium account in the amount of HK$141,505,000 (2011: HK$141,505,000) 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 18, cash and cash equivalents disclosed in note 22, secured bank loans disclosed in note 24 and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated 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.

In order to maintain or adjust the adjusted net debt-to-capital ratio, the Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

The adjusted net debt-to-capital ratio at 31 December 2012 and 2011 was as follows:

	The Group	
	2012	**2011**
	HK$'000	*HK$'000*
Bank borrowings *(note 24)*	113,537	124,904
Less: Cash and cash equivalents *(note 22)*	(93,392)	(123,630)
Deposits pledged for securing banking facilities *(note 21)*	(1,517)	(3,695)
Adjusted net debt/(cash)	18,628	(2,421)
Total equity	361,851	407,700
Adjusted capital	361,851	407,700
Adjusted net debt-to-capital ratio	5%	N/A

29 BUSINESS COMBINATION

On 5 May 2011, the Group acquired 60% of the equity interest of Astromax. The principal business of Astromax is investment holding and its principal asset as at the date hereof is its 100% shareholding in City Leading, which is an investment holding company holding 100% equity interest in Shenzhen Oulo. Shenzhen Oulo is principally engaged in the manufacture and sale of sofa to overseas and in the PRC.

The Group elected to measure the non-controlling interest in Astromax, City Leading and Shenzhen Oulo (the "Astromax Group") at the non-controlling interest's proportionate share of the Astromax Group's identifiable net assets.

The fair values of the identifiable assets and liabilities of the Astromax Group as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment *(note 14)*	3,811
Inventories	8,616
Trade and other receivables	13,880
Cash and cash equivalents	2,122
Tax refundable	135
Trade and other payables	(18,354)
Total identifiable net assets at fair value	10,210
Non-controlling interests	(4,084)
Goodwill	52,120
Satisfied by issuance of shares *(note 28(a))*	58,246

The goodwill of HK$52,120,000 arises from a number of factors such as its sales network and industry know how, other important elements including expected synergies through combining a highly skilled workforce, product complementary and obtaining economies of scale.

None of the goodwill recognised was expected to be deductible for income tax purposes.

The fair value of trade and other receivables in the Astromax Group was HK$13,880,000 and includes trade receivable with a fair value of HK$10,974,000. The gross contractual amount for trade receivables due was HK$11,166,000, of which HK$192,000 was expected to be uncollectible.

The consideration for the acquisition was satisfied by the issue and allotment of 36,404,000 ordinary shares of HK$0.01 each of the Company at the date of acquisition on 5 May 2011. The fair value of the consideration was HK$58,246,400, being the fair value of the shares measured at the closing market price of HK$1.60 on 5 May 2011.

No acquisition-related costs were charged to the consolidated income statement for the year ended 31 December 2011 as all acquisition related costs were borne by the vendor.

An analysis of the cash flows in respect of the acquisition of the Astromax Group is as follows:

	2011
	HK$'000
Cash and cash equivalents acquired	2,122
Net inflow of cash and cash equivalents included in cash flows from investing activities	2,122

30 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.

(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.

	2012					2011				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group										
Trade creditors and bills payable	167,415	167,415	167,415	–	–	131,914	131,914	131,914	–	–
Other payables and accrued charges	51,700	51,700	45,053	6,647	–	51,096	51,096	51,096	–	–
Bank borrowings	113,537	120,290	84,402	17,488	18,400	124,904	135,198	127,712	1,125	6,361
	332,652	339,405	296,870	24,135	18,400	307,914	318,208	310,722	1,125	6,361
The Company										
Other payables and accrued charges	1,080	1,080	1,080	–	–	2,760	2,760	2,760	–	–

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. Taking into account the financial position of the Group, 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.

	2012					2011				
	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
The Group										
Trade creditors and bills payable	167,415	167,415	167,415	–	–	131,914	131,914	131,914	–	–
Other payables and accrued charges	51,700	51,700	45,053	6,647	–	51,096	51,096	51,096	–	–
Bank borrowings	113,537	120,290	71,002	24,688	24,600	124,904	135,198	63,630	23,867	47,701
	332,652	339,405	283,470	31,335	24,600	307,914	318,208	246,640	23,867	47,701
The Company										
Other payables and accrued charges	1,080	1,080	1,080	–	–	2,760	2,760	2,760	–	–

(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 bank borrowings. 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 22 and 24.

Interest rate profile

The following table details the interest rate profile of the Group's bank deposits and interest-bearing financial liabilities at the end of the reporting period.

	2012		**2011**	
	Effective Interest rate	*HK$'000*	**Effective Interest rate**	*HK$'000*
Variable rate bank deposits:				
Deposits with bank	0.97%	7,776	3.00%	18,119
Cash at bank	0.12%	86,403	0.38%	116,198
		94,179		134,317
Variable rate borrowings:				
Bank borrowings	6.17%	(113,537)	4.45%	(124,904)

The Company has no material exposure to interest rate risk as it has no significant interest-bearing financial instruments.

(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 Hong Kong dollars, 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 and the Company'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 the functional currency of the operations to which they relate. 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					
	2012			2011		
	Denominated in			Denominated in		
	Hong Kong dollars	Renminbi	United States dollars	Hong Kong dollars	Renminbi	United States dollars
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Trade and other receivables	–	–	20,067	–	–	14,446
Cash and cash equivalents	3,174	9,455	22,680	23,168	9,321	9,062
Trade and other payables	–	–	(2,340)	–	–	(488)
Bank borrowings	(26,001)	–	–	(33,780)	–	–
Current taxation	–	–	–	(52)	–	–
Net exposure arising from recognised assets and liabilities	(22,827)	9,455	40,407	(10,664)	9,321	23,020

	The Company	
	2012	2011
	Denominated in Renminbi	Denominated in Renminbi
	HK$'000	*HK$'000*
Cash and cash equivalents	139	6,298
Net exposure arising from recognised assets	139	6,298

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.

(v) *Fair values*

Financial instruments carried at fair value:
The following table presents the carrying value of financial instruments measured at fair value at the end of the reporting period across the three levels of the fair value hierarchy defined in HKFRS 7, Financial Instruments: Disclosures, with the fair value of each financial instrument catergorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

– Level 1 (highest level): fair values measured using quoted prices (unadjusted) in active markets for identical financial instruments.

– Level 2: fair values measured using quoted prices in active markets for similar financial instruments, or using valuation techniques in which all significant inputs are directly or indirectly based on observable market data.

– Level 3 (lowest level): fair values measured using valuation techniques in which any significant input is not based on observable market data.

	The Group							
	2012				2011			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Assets								
Available-for-sale investments	65	–	–	65	44	–	–	44

(b) Estimation of fair values

The notional amounts of financial assets and liabilities (including trade debtors and bills receivable, deposits and other receivables, restricted bank deposits, cash and cash equivalents, trade creditors and bills payable, 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.

31 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2012 not provided for in the consolidated financial statements are as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Contracted for:		
– Construction of factory building	74,994	95,132
– Purchase of property, plant and equipment	1,297	4,754
	76,291	99,886
Authorised but not contracted for:		
– Construction of factory building	117,945	117,974
– Purchase of property, plant and equipment	7,482	7,484
	125,427	125,458

(b) At 31 December 2012, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2012	2011
	HK$'000	*HK$'000*
Within 1 year	5,629	5,222
After 1 year but within 5 years	8,864	14,053
	14,493	19,275

32 CONTINGENT LIABILITIES

	The Company	
	2012	**2011**
	HK$'000	*HK$'000*
Corporate guarantees given and utilised	69,882	80,778

At 31 December 2012, the Company provided corporate guarantees to the following subsidiaries:

(a) Shenzhen Xingli in relation to banking facilities to the extent of HK$77,000,000 (2011: HK$77,000,000) of which HK$25,404,000 (2011: HK$36,988,000) was utilised;

(b) Hing Lee Furniture in relation to banking facilities to the extent of HK$54,000,000 (2011: HK$54,000,000) of which HK$36,878,000 (2011: HK$33,800,000) was utilised; and

(c) Hing Lee (China) in relation to banking facilities to the extent of HK$12,000,000 (2011: HK$12,000,000) of which HK$7,600,000 (2011: HK$10,000,000) was utilised.

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.

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	2012	**2011**
	HK$'000	*HK$'000*
Short-term employee benefits	5,534	7,369
Post-employment benefits	69	72
Share-based payments	535	1,208
	6,138	8,649

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

(b) Balances with related parties

Balances with related parties of the Company are disclosed in the statement of financial position and in note 17.

34 COMPARATIVE FIGURES

Certain comparative figures in respect of foreign currency risk have been re-presented to conform with current year's presentation.

35 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) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

(ii) Impairment of property, plant and equipment and intangible assets

If the circumstances indicate that the carrying values of these assets may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 Impairment of assets. Under HKAS 36, these assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs to sell and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling prices and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and amount of operating costs. However, actual sales volumes, selling prices and operating costs may be different from assumptions which may require a material adjustment to the carrying amount of the assets affected.

(iii) 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.

(iv) 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.

(v) 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.

(vi) 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.

36 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2012

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2012 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12, *Consolidated financial statements, joint arrangements and disclosure of interests in other entities: transition guidance*	1 January 2013
Amendments to HKFRS 10, HKFRS 12 and HKAS 27, *Investment Entities*	1 January 2014
Amendments to HKFRS 7, *Financial instruments: Disclosures – Offsetting financial assets and financial liabilities*	1 January 2013
Amendments to HKFRS 9 and HKFRS 7 – *Mandatory effective date of HKFRS 9 and transaction disclosures*	1 January 2015
Amendments to HKAS 1, *Presentation of financial statements – Presentation of items of other comprehensive income*	1 July 2012
Amendments to HKAS 32, *Financial instruments: Presentation – Offsetting financial assets and financial liabilities*	1 January 2014
Amendments to HKFRSs, *Annual Improvements to HKFRSs 2009 -2011 Cycle except for the amendments to HKAS 1*	1 January 2013
HKFRS 9, *Financial instruments*	1 January 2015
HKFRS 10, *Consolidated financial statements*	1 January 2013
HKFRS 11, *Joint arrangements*	1 January 2013
HKFRS 12, *Disclosure of interests in other entities*	1 January 2013
HKFRS 13, *Fair value measurement*	1 January 2013
HKAS 27 (revised), *Separate financial statements (2011)*	1 January 2013
HKAS 28 (revised), *Investments in associates and joint ventures (2011)*	1 January 2013
Amendments to HKAS 19, *Employee benefits (2011)*	1 January 2013

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.

3. INDEBTEDNESS

Indebtedness Statement

As at the close of business on 31 October 2013, being the latest practicable date for the purpose of preparing this indebtedness statement prior to the printing of this Composite Document, the Group had secured bank borrowings of approximately HK$82.4 million secured by (i) a letter of undertaking over the Group's construction in progress and buildings; (ii) legal charges over the Group's medium-term leasehold land outside Hong Kong; (iii) restricted bank deposits of the Group of approximately HK$2.5 million; and (iv) guarantees from the Government of Hong Kong under the Special Loan Guarantee Scheme and the SME Loan Guarantee Scheme.

As at 31 October 2013, the capital commitment of the Group for construction of factory buildings and purchases of property, plant and equipment amounted to approximately HK$68.9 million and HK$0.5 million respectively. Pursuant to the operating lease agreements in respect of land and buildings, the minimum lease payments payable by the Group were approximately HK$14.4 million.

Disclaimer

Save as disclosed above, and apart from intra-group liabilities and normal trade payables, the Group did not have any loan capital outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities as at the close of business on 31 October 2013.

For the purpose of the above statement of indebtedness, foreign currency denominated amounts have been translated into Hong Kong dollar at the prevailing exchange rates as at the close of business on 31 October 2013.

The Directors confirm that there were no material change in the Group's indebtedness position and contingent liabilities since 31 October 2013 up to the Latest Practicable Date.

4. MATERIAL CHANGE

The Directors confirm that, save and except for the following, there has been no material change in the financial or trading position or outlook of the Group since 31 December 2012, being the date which the latest published audited consolidated financial statements of the Group were made up, to and including the Latest Practicable Date:

(i) the Group's unaudited interim result for the six months ended 30 June 2013 published on 9 September 2013 where it was disclosed that, among other things, the Group recorded a profit attributable to the equity holders of the Company for the six months ended 30 June 2013 as compared to a loss attributable to the equity holders of the Company for the corresponding period in 2012; and

(ii) the Company published the January 2014 Profit Alert where it was disclosed that based on the information currently available to the Group, the Group is expected to record a loss for the six months ended 31 December 2013. Notwithstanding the expected decline in the Group's results in the second half of 2013, the Group is still expected to record a profit for the year ended 31 December 2013 as compared to a loss recorded for the year ended 31 December 2012. The expected profit for the year ended 31 December 2013 was primarily attributed to the improvement in gross profit margins of the products of the Group as compared to year 2012, despite a decrease in the Group's gross profit margin for the second half of 2013 as compared to that for the first half of 2013.

The following is the text of a report on the Statement prepared for sole purpose of inclusion in the Composite Document, received from the auditors of the Company, Baker Tilly Hong Kong Limited.

BAKER TILLY
HONG KONG | 天職香港

22 January 2014

The Directors
Hing Lee (HK) Holdings Limited
Unit 1101, 11th Floor
Delta House,
3 On Yiu Street
Shatin
New Territories, Hong Kong

Dear Sirs,

We have examined the accounting policies adopted and calculations of the expected profit of Hing Lee (HK) Holdings Limited (the "**Company**") and its subsidiaries (collectively known as the "**Group**") for the year ended 31 December 2013 (the "**Estimation**") in arriving at the profit alert statement (the "**Statement**") made by the Company in its announcement dated 9 January 2014.

RESPONSIBILITIES

The directors of the Company (the "**Directors**") are solely responsible for the preparation of the Estimation.

It is our responsibility to form an opinion, based on our work on the Estimation and to report our opinion solely to you, as a body, solely for the purpose of reporting under Rule 10.1 and 10.2, note 1(c) of the Code on Takeovers and Mergers on the Securities and Futures Commission and for no other purpose.

SUMMARY OF OUR WORK

We conducted our work with reference to the procedures specified in Auditing Guideline 3.341 "Accountants' Report on Profit Forecasts". We examined the consistency of accounting policies adopted and the arithmetical accuracy of the Estimation. Our work has been undertaken solely to assist the Directors in evaluating whether the Estimation, so far as the accounting policies and calculations are concerned, has been properly compiled in accordance with the basis adopted by the Directors.

OPINION

In our opinion, so far as the accounting policies and calculations are concerned, the Estimation has been properly compiled based on the unaudited consolidated results of the Group for the year ended 31 December 2013 and is presented on a basis consistent with the accounting policies adopted by the Group in its audited consolidated financial statements for the year ended 31 December 2012, the text of which is set out in Appendix II to the composite document of the Company dated 22 January 2014.

Yours faithfully,
Baker Tilly Hong Kong Limited
Certified Public Accountants
Lo Wing See

Practising Certificate Number: P04607
Hong Kong

The following is the text of a report on the Statement prepared for the sole purpose of inclusion in this Composite Document, received from the Independent Financial Adviser, Octal Capital Limited.

八方金融有限公司
OCTAL Capital Limited

22 January 2014

The Board of Directors
Hing Lee (HK) Holdings Limited
Unit 1101, 11th Floor, Delta House
3 On Yiu Street, Shatin, New Territories
Hong Kong

Dear Sirs/Madame,

Terms used in this letter have the same meanings as defined in the composite document of Hing Lee (HK) Holdings Limited dated 22 January 2014, of which this letter forms part, unless the context requires otherwise. We refer to the profit alert statement made by the Company in its announcement dated 9 January 2014 in respect of the Group's financial results for the year ended 31 December 2013 (the "**Statement**").

We have reviewed the Statement and other relevant information and documents which you as the Directors are solely responsible for and discussed with you and the senior management of the Company the bases upon which the Statement has been made. In addition, we have considered, and relied upon, the report addressed to the Board from Baker Tilly Hong Kong Limited regarding the accounting policies and the arithmetical accuracy of the calculations upon which the Statement has been made.

On the basis of the foregoing, we are of the opinion that the Statement, for which the Directors are solely responsible, has been made with due care and consideration.

Yours faithfully,
For and on behalf of
Octal Capital Limited

Alan Fung	**Hickman Wong**
Managing Director	*Director*

The following is the text of a letter, summary of values and valuation certificate prepared for the purpose of incorporation in this Composite Document received from LCH (Asia-Pacific) Surveyors Limited, an independent professional surveyor, in connection with its valuations as at 30 November 2013 of the property interests held by the Group.

利駿行測量師有限公司
LCH (Asia-Pacific) Surveyors Limited
PROFESSIONAL SURVEYOR
PLANT AND MACHINERY VALUER
BUSINESS & FINANCIAL ASSETS VALUER

The readers are reminded that the report which follows has been prepared in accordance with the reporting guidelines set by the International Valuation Standard 2011 (the "IVS") published by the International Valuation Standards Council as well as the HKIS Valuation Standards on Properties, 2012 Edition (the "HKIS Standards") published by the Hong Kong Institute of Surveyors (the "HKIS"). Both standards entitle the valuer to make assumptions which may on further investigation, for instance by the readers' legal representative, prove to be inaccurate. Any exception is clearly stated below. Headings are inserted for convenient reference only and have no effect in limiting or extending the language of the paragraphs to which they refer. Translations of terms in English or in Chinese are for reader's identification purpose only and have no legal status or implication in this report. This report was prepared and signed off in English format, translation of this report in language other than English shall only be used as a reference and should not be regarded as a substitution to this report. Piecemeal reference to this report is considered to be inappropriate and no responsibility is assumed from our part for such piecemeal reference. It is emphasised that the findings and conclusion presented below are based on the documents and facts known to the valuer at the date of this report. If additional documents and facts are made available, the valuer reserves the right to amend this report and its conclusions.

17th Floor
Champion Building
Nos. 287-291 Des Voeux Road Central
Hong Kong

22 January 2014

Hing Lee (HK) Holdings Limited
Units 1101 on 11th Floor
Delta House
3 On Yiu Street
Shatin
New Territories
Hong Kong

Dear Sirs,

In accordance with the instructions given by the present management of Hing Lee (HK) Holdings Limited (hereinafter referred to as the "Instructing Party") to us to conduct an agreed-upon procedures valuation of certain properties in which Hing Lee (HK) Holdings Limited (hereinafter referred to as the "Company") and its subsidiaries (collectively, together with the Company hereinafter referred to as the "Group") have interests in the People's Republic of China (hereinafter referred to as the "PRC" or "China"), we confirm that we have conducted inspections, made relevant enquiries and obtained such further information as we consider necessary to support our findings and our conclusion of values of the property interests as at 30 November 2013 (hereinafter referred to as the "Valuation Date") for the Company's internal management reference purpose.

We understand that the use of our work product (regardless of form of presentation) will form part of the Instructing Party's due diligence but we have not been engaged to make specific sale or purchase recommendations, or give opinion for financing arrangement. We further understand that the use of our work product will not supplant other due diligence which the management of the Instructing Party should conduct in reaching its business decision regarding the properties valued. Our work is designed solely to provide information that will give the Instructing Party a reference in its due diligence process, and our work should not be the only factor to be referenced by the Instructing Party. Our findings and conclusion of values of the property interests are documented in a valuation report and submitted to the Instructing Party at today's date.

At the request of the Instructing Party, we prepared this summary report (including this letter, summary of values and the valuation certificate) to summarise our findings and conclusion of values as documented in the valuation report for the purpose of inclusion in this Composite Document at today's date for the Company's reference. Terms herein used without definition shall have the same meanings as in the valuation report, and the assumptions and caveats adopted in the valuation report also apply to this summary report.

BASIS OF VALUATION AND ASSUMPTIONS

According to the IVS which the HKIS Standards also follows, there are two valuation bases, namely market value basis and valuation bases other than market value. In this engagement, we have provided our conclusion of values of the properties on the market value basis.

The term "Market Value" is defined by the IVS and the HKIS Standards as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's-length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

Our valuations of the properties have been made on the assumptions that, as at the Valuation Date,

1. the legally interested party in each of the properties has free and uninterrupted rights to assign its relevant property interest for the whole of the unexpired terms as granted, and any premium payable have already been fully paid; and

2. the legally interested party in each of the properties sells its relevant property interest in the market in its existing state without the benefit of a deferred terms contract, leaseback, joint venture, management agreement or any other similar arrangement which could serve to increase the value of the property interest.

3. the legally interested party in each of the properties has absolute title to its relevant property interest;

4. each of the properties has obtained relevant government's approvals for the sale of the property and is able to dispose of and transfer free of all encumbrances (including but not limited to the cost of transaction) in the market; and

5. the properties can be freely disposed of and transferred free of all encumbrances as at the Valuation Date for its existing use in the market to both local and overseas purchasers without payment of any premium to the government.

Should any of the above not be the case, it will have adverse impact to the values reported.

APPROACH TO VALUE

There are three generally accepted approaches in arriving at the market value of a property on an absolute title basis, namely the Sales Comparison Approach (or known as the Market Approach), the Cost Approach and the Income Approach.

Having considered the general and inherent characteristics of the properties, we have adopted the depreciated replacement cost approach which is an application of the Cost Approach in valuing specialised properties like these properties. The use of this approach requires an estimate of the market value of the land use rights for its existing use, and an estimate of the replacement cost new of the buildings and other site works from which deductions, if appropriate, are then made to allow for age, condition, and functional obsolescence taken into account of the site formation cost and those public utilities connection charges to the properties. The land use rights of these properties have been determined from market-based evidences by analysing similar sales or offerings of comparable properties.

The valuations of these properties are on the assumption that the properties are subject to the test of adequate potential profitability of the business having due regard to the values of the total assets employed and the nature of the operation.

By using this approach, the land should be assumed to have the benefit of planning permission for the replacement of the existing buildings and it is always necessary when valuing the land, to have regard to the manner in which the land is developed by the existing buildings and site works, and the extent to which these realise the full potential value of the land. When considering a notional replacement site, it should normally be regarded as having the same physical and location characteristics as the actual site, other than characteristics of the actual site which are not relevant, or are of no value, to the existing use. In considering the buildings, the gross replacement cost of the buildings should take into consideration everything which is necessary to complete the construction from a new green field site to provide buildings as they are, at the Valuation Date, fit for and capable of being occupied and used for the current use. These costs to be estimated are not to erect buildings in the future but have the buildings available for occupation at the Valuation Date, the work having commenced at the appropriate time.

According to the PRC legal opinion provided to us, the land use rights of the properties are not transferrable. Therefore, no commercial values were assigned to the properties due to its restriction in transferability. However, for information purpose, the replacement cost new of the buildings of the properties were reported by using the Cost Approach.

We need to state that our opinion of value of the buildings of each of the properties is not necessarily intended to represent the amount that might be realised from disposition on piecemeal basis in the open market.

Unless otherwise stated, we have not carried out a valuation on a redevelopment basis and the study of possible alternative development options and the related economics do not come within the scope of our work.

MATTERS THAT MIGHT AFFECT THE VALUES REPORTED

For the sake of valuation, we have adopted the areas as appeared in the copies of the documents as provided and no further verification work has been conducted. Should it be established subsequently that the adopted areas were not the latest approved, we reserve the rights to revise our report and valuations accordingly.

No allowance has been made in our valuations for any charges, mortgages, outstanding premium or amounts owing on the properties valued nor any expenses or taxation which may be incurred in effecting a sale, if any. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions, and outgoings of an onerous nature which could affect their values.

For the purpose of compliance with Rule 11.3 of the Codes of Takeovers and Mergers as advised by the Company, the potential tax liabilities which may arise from the sales of the properties include Business Tax and related surcharge at 6.32%, Enterprise Income Tax on the taxable income from the sale of the properties at 25%, and Land Value Appreciation Tax at progressive tax rates ranging from 30% to 60% on the taxable gains from the sale of the properties. As the properties have restriction on transferability, no such liability will be crystallised. As such, we have not taken into account of any such potential tax liabilities in our valuations.

In our valuations, we have assumed that each of the properties is able to continue its existing usage without any legal impediment (especially from the regulators). Should this not be the case, it will affect the reported values significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

As at the date of this report, we are unable to identify any adverse news against the properties which may affect the reported values in our work product. Thus, we are not in the position to report and comment on its impact (if any) to the properties. However, should it be established subsequently that such news did exist at the Valuation Date, we reserve the right to adjust the values reported herein.

ESTABLISHMENT OF TITLES

Due to the purpose of this engagement and the market value basis of valuation, the Instructing Party or the appointed personnel of the Company provided us the necessary copies of documents to support that the legally interested party in the properties, (in this instance, the Group (as defined in this Composite Document)) has free and uninterrupted rights to transfer, to mortgage or to let its relevant property interests (in this instance, an absolute title) for the whole of the unexpired terms as granted, free of all encumbrances and any premiums payable have already been paid in full or outstanding procedures have been completed, and the Group has the right to occupy and use the properties. However, our procedures to value, as agreed with the Instructing Party, did not require us to conduct legal due diligence on the legality and formality on the way that the legally interested party obtained the properties from the relevant authorities. We agreed with the Instructing Party that this should be the responsibility of the legal advisor to the Instructing Party. Thus, no responsibility or liability is assumed from our part to the origin and continuity of the titles to the properties.

The land registration system of China forbids us to search the original documents of the properties that are filed in the relevant authorities, and to verify legal titles or to verify any material encumbrances or amendment which may not appear on the copies handed to us. For the purpose of valuation, we have relied solely on a copy of the PRC legal opinions provided by the Instructing Party or the appointed personnel of the Company with regards to the legal titles of the properties. We are given to understand that the PRC legal opinions was prepared by a qualified PRC legal advisor GuangDong LianRui Law Firm 廣東聯睿律師事務所 dated 17 January 2014.

We need to state that we are not legal professionals and are not qualified to ascertain the titles and to report any encumbrances that may be registered against the properties. However, we have complied with the requirements as stated in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and relied solely on the copies of documents and the copy of PRC legal opinions provided by the Instructing Party or the appointed personnel of the Company in our valuations. No responsibility or liability from our part is assumed in relation to the legal opinions.

In our report, we have assumed that the Group has obtained all the approval and/or endorsement from the relevant authorities to own or to use the subject properties, and that there would be no legal impediment (especially from the regulators) for the Group to continue the legal titles to the properties. Should this not be the case, it will affect our findings or conclusion of values in this report significantly. The readers are reminded to have their own legal due diligence work on such issues. No responsibility or liability is assumed.

INSPECTIONS AND INVESTIGATIONS OF THE PROPERTIES IN ACCORDANCE WITH VALUATION STANDARD 4 OF THE HKIS STANDARDS

We have conducted inspection to the exterior, and where possible, the interior of the properties in December 2013 by our graduate surveyor Mr. Ivan Mak in respect of which we have been provided with such information as we have requested for the purpose of our valuations. In our inspections, we have not inspected those parts of the properties which were covered, unexposed or inaccessible and such parts have been assumed to be in a reasonable condition. We cannot express an opinion about or advise upon the condition of the properties and our work product should not be taken as making any implied representation or statement about the condition of the properties. No structural survey, investigation or examination has been made, but in the course of our inspections, we did not note any serious defects in the properties inspected. We are not, however, able to report that the properties are free from rot, infestation or any other structural defects. No tests were carried out to the building utilities (if any) and we are unable to identify those services either covered, unexposed or inaccessible.

We have not carried out on-site measurements to verify the correctness of the areas of the properties, but have assumed that the areas shown on the documents and official layout plans handed to us are correct. All dimensions, measurements and areas are approximations.

Our engagement and the agreed procedures to value the properties did not include an independent land survey to verify the legal boundaries of the properties. We need to state that we are not in the land survey profession, therefore, we are not in the position to verify or ascertain the correctness of the legal boundaries of the properties that appeared on the documents handed to us. No responsibility from our part is assumed. The Instructing Party or interested party in the properties should conduct their own legal boundaries due diligence work.

We have not arranged for any investigation to be carried out to determine whether or not any deleterious or hazardous material has been used in the construction of the properties, or has since been incorporated, and we are therefore unable to report that the properties are free from risk in this respect, and therefore we have not considered such factor in our valuations.

We are not aware of the content of any environmental audit or other environmental investigation or soil survey which may have been carried out on the properties and which may draw attention to any contamination or the possibility of any such contamination. In undertaking our work, we have assumed that no contaminative or potentially contaminative uses have ever been carried out in the properties. We have not carried out any investigation into past or present uses, either of the properties or of any neighbouring land, to establish whether there is any contamination or potential for contamination to the properties from these uses or sites, and have therefore assumed that none exists. However, should it be established subsequently that contamination, seepage or pollution exists at the properties or on any neighbouring land, or that the premises have been or are being put to a contaminative use, this might reduce the values now reported.

SOURCES OF INFORMATION AND ITS VERIFICATION IN ACCORDANCE WITH VALUATION STANDARD 5 OF THE HKIS STANDARDS

In the course of our works, we have been provided with copies of the documents regarding the properties, and these copies have been referenced without further verifying with the relevant bodies and/or authorities. Our procedures to value did not require us to conduct any searches or inspect the original documents to verify ownership or to verify any amendment which may not appear on the copies handed to us. We need to state we are not legal professional, therefore, we are not in the position to advise and comment on the legality and effectiveness of the documents provided by the Instructing Party or the appointed personnel of the Company.

We have relied solely on the information provided by the Instructing Party or the appointed personnel of the Company without further verification and have fully accepted advice given to us on such matters as planning approvals or statutory notices, locations, titles, easements, tenure, occupation, site and floor areas and all other relevant matters.

Our valuations have been made only based on the advice and information made available to us. While a limited scope of general inquiries had been made to the local property market practitioners, we are not in a position to verify and ascertain the correctness of the advice given by the relevant personnel. No responsibility or liability is assumed.

Information furnished by others, upon which all or portions of our report are based, is believed to be reliable but has not been verified in all cases. Our procedures to value or work do not constitute an audit, review, or compilation of the information provided. Thus, no warranty is made nor liability assumed for the accuracy of any data, advice, opinions, or estimates identified as being furnished by others which have been used in formulating our report.

When we adopted the work products from other professions, external data providers and the Instructing Party or the appointed personnel of the Company in our works, the assumptions and caveats that adopted by them in arriving at their figures also applied to this report. The procedures we have taken do not provide all the evidence that would be required in an audit and, as we have not performed an audit, accordingly, we do not express an audit opinion.

We are unable to accept any responsibility for the information that has not been supplied to us by the Instructing Party or the appointed personnel of the Company. Also, we have sought and received confirmation from the Instructing Party or the appointed personnel of the Company that no material factors have been omitted from the information supplied. Our analysis and valuations are based upon full disclosure between us and the Instructing Party of material and latent facts that may affect our works.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party or the appointed personnel of the Company. We consider that we have been provided with sufficient information to reach an informed view, and have had no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary amounts are in Renminbi Yuan ("RMB").

LIMITING CONDITIONS IN THIS SUMMARY REPORT

Our findings or conclusion of values of the properties in this summary report are valid only for the stated purpose and only for the Valuation Date, and for the sole use of the Instructing Party. We or our personnel shall not be required to give testimony or attendance in court or to any government agency by reason of this summary report, and the valuer accepts no responsibility whatsoever to any other person.

Our valuations have been made on the assumption that no unauthorised alteration, extension or addition has been made in the properties, and that the inspections and the use of this report do not purport to be a building survey of the properties. We have assumed that the properties are free of rot and inherent danger or unsuitable materials and techniques.

No responsibility is taken for changes in market conditions and local government policy and no obligation is assumed to revise this summary report to reflect events or conditions, which occur or are made known to us subsequent to the date hereof.

Neither the whole nor any part of this summary report or any reference made hereto may be included in any published documents, prospectus or statement, or published in any way, without our written approval of the form and context in which it may appear. Nonetheless, we consent to the publication of this summary report in this Composite Document for the Company's shareholders' reference.

Our maximum liability relating to services rendered under this engagement (regardless of form of action, whether in contract, negligence or otherwise) shall be limited to the charges paid to us for the portion of its services or work products giving rise to liability. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, lost profits, opportunity costs, etc.), even if it has been advised of their possible existence.

The Company and the Instructing Party are required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our work product except to the extent that any such loses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

STATEMENTS

The attached valuation certificate is prepared in line with the requirements contained in Chapter 5 and Practice Note No. 12 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, Rule 11 of The Codes on Takeovers and Mergers and Share Repurchases by Securities and Future Commission as well as the guidelines contained in the IVS and the HKIS Standards. The valuations have been undertaken by valuer (see End Note), acting as external valuer, qualified for the purpose of this valuation.

We retain a copy of this summary report and the detailed valuation report together with the data provided, and these data and documents will, according to the Laws of Hong Kong, keep for a period of 6 years from the date of this report and to be destroyed thereafter. We considered these records confidential, and we do not permit access to them by anyone, with the exception for law enforcement authorities or court order, without the Instructing Party's authorisation and prior arrangement made with us. Moreover, we will add the Company's information into our client list for our future reference.

The analysis or valuation of the properties depends solely on the assumptions made in this report and not all of which can be easily quantified or ascertained exactly. Should some or all of the assumptions prove to be inaccurate at a later date, it will affect the reported findings or conclusion of values significantly.

We hereby certify that the fee for this service is not contingent upon our conclusion and we have no significant interest in the properties, the Group or the values reported.

Our valuations are summarised below and the valuation certificate is attached.

Yours faithfully,
For and on behalf of
LCH (Asia-Pacific) Surveyors Limited

Elsa Ng Hung Mui *B.Sc. M.Sc. RPS(GP)*
Director

Contributing valuer:
Ivan Mak Kin Hong *B.Sc.*

Sr Elsa Ng Hung Mui has been conducting valuation of real properties in Hong Kong, Macau and mainland China since 1994. She is a Member of The HKIS and a valuer on the List of Property Valuers for Undertaking Valuation for Incorporation or Reference in Listing Particulars and Circulars and Valuation in Connection with Takeovers and Mergers published by The HKIS.

SUMMARY OF VALUES

Properties held and occupied by the Group under long-term title certificates in the PRC and valued on market value basis

	Property	Amount of Valuations in its existing state attributable to the Group as at 30 November 2013 *RMB*
1.	A factory complex located at Lot No.G14309-0285 Industrial Zone Kengzi Town Longgang District Shenzhen City Guangdong Province The People's Republic of China 518112	No commercial value
2.	A factory complex located at. Lot No.G14310-0206 Industrial Zone Kengzi Town Longgang District Shenzhen City Guangdong Province The People's Republic of China 518112	No commercial value
	TOTAL:	**No commercial value**

VALUATION CERTIFICATE

Properties held and occupied by the Group under long-term title certificates in the PRC and valued on market value basis

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 30 November 2013 *RMB*
1.	A factory complex located at Lot No. G14309-0285 Industrial Zone Kengzi Town Longgang District Shenzhen City Guangdong Province The People's Republic of China 518112	The property comprises a parcel of land having a site area of approximately 43,817.36 sq. m. *(See Note 1 below)* with 4 various major buildings and structures erected thereon. The major buildings and structures include 2 various single to 3-storey workshops, an 8-storey dormitory and a single storey warehouse which were completed in between 2009 and 2010. They have a total gross floor area of approximately 42,218.14 sq. m. *(See Note 2 below)* The property is located at an industrial area and surrounded by various industrial complexes. The property is subject to a right to use the land for a term of 50 years commencing from 29 June 2007 till 28 June 2057 for industrial usage.	As inspected and confirmed by the appointed personnel of the Company that, as at the Valuation Date, the property was occupied by the Group for manufacturing, ancillary office, warehouse and other supporting facilities purposes.	No commercial value (100% interest) *(See Note 6 below)*

Notes:

1. The right to possess the land is held by the State and the rights to use the land have been granted by the State to 深圳興利傢俱有限公司 (translated as Shenzhen Xingli Furniture Co., Ltd. and hereinafter referred to as "Shenzhen Xingli") vide the following ways:

   (i) Pursuant to a Contract for the Grant of State-owned Land Use Rights known as Shen Di He Zi (2007) 5058 Hao (深地合字(2007)5058號) dated 29 June 2007 and made between the Shenzhen Municipal Land Resources and Real Estate Administrative Bureau and Shenzhen Xingli, the land use rights of a parcel of land having a site area of 43,817.36 sq.m. was granted to Shenzhen Xingli for a term of 50 years commencing from 29 June 2007 till 28 June 2057 for industrial usage; and

   (ii) Pursuant to a Realty Title Certificate known as Shen Fang Di Zi Di 8000007396 Hao (深房地字第8000007396號) dated 20 September 2007 and issued by the Longgang Sub-Bureau of Land Resources and Real Estate Management of Shenzhen Municipal, the legally interested party in the land having a site area of approximately 43,817.36 sq.m. is Shenzhen Xingli for a term of 50 years commencing from 29 June 2007 till 28 June 2057 for industrial usage.

2. According to a Realty Title Certificate known as Shen Fang Di Zi Di 6000447279 Hao (深房地字第6000447279號) dated 9 November 2010 and registered in the Shenzhen Real Estate Ownership Registration Centre, the legally interested party in 4 various buildings erected on the land as mentioned in Note 1 having a total gross floor area of approximately 42,218.14 sq. m. is Shenzhen Xingli. The area breakdown for each of the buildings covered in the certificate are as follows:

Buildings (no. of storey)	**Gross Floor Area (sq. m.)**
Workshop (single storey)	3,050.44
Workshop (3-storey)	30,172.75
Warehouse (single storey)	109.12
Dormitory (8-storey)	8,885.83
Total:	42,218.14

3. Pursuant to the Enterprise Legal Person Business Licence dated 23 May 2013, Shenzhen Xingli is a limited company which was established on 16 December 2002.

4. According to the legal opinion prepared by the Company's PRC legal adviser, Guangdong Lianrui Law Firm (廣東聯睿律師事務所) dated 17 January 2014, the following opinions are noted:

   (i) Shenzhen Xingli is the only legally interested party in the property;

   (ii) according to a summary of the Government 4th No.51 General Meeting, the land use rights of the property cannot be transferred or leased;

   (iii) though item (ii) above restricted the transferability of the property, it is a supplemental condition imposed to the land grant of the property, it would not affect the land use rights of the legally interested party in the subject land. As such, Shenzhen Xingli has its right to mortgage the subject land; and

   (iv) should there be any default in mortgage repayment, the bank could exercise the foreclosure of the mortgaged land use rights and conduct public auction to redress the delinquency. There is no contradiction to the opinion of item (ii) above.

5. According to the mortgage agreement dated 5 March 2008 and made between the HSBC Bank (China) Company Limited Shenzhen Branch and Shenzhen Xingli, the property is subject to a mortgage in favour of the HSBC Bank (China) Company Limited Shenzhen Branch for a banking facility of RMB70,000,000.

6. Since the property is non-transferable, no commercial value was assigned to the property. For information purpose, the replacement cost new of the buildings of the property as at the Valuation Date was RMB 90,600,000.

	Property	Description and tenure	Particulars of occupancy	Amount of valuation in its existing state attributable to the Group as at 30 November 2013 *RMB*
2.	A factory complex located at Lot No. G14310-0206 Industrial Zone Kengzi Town Longgang District Shenzhen City Guangdong Province The People's Republic of China 518112	The property comprises a parcel of land having a site area of approximately 41,064.83 sq. m. *(See Note 1 below)* with 4 various major buildings and structures erected thereon. The major buildings and structures include 2 various single to 3-storey workshops, an 8-storey dormitory and a single storey utility room which were completed in 2012. They have a total gross floor area of approximately 35,009.60 sq. m. *(See Note 2 below)* The property is located at an industrial area and surrounded by various industrial complexes. The property is subject to a right to use the land for a term of 50 years commencing from 29 June 2007 till 28 June 2057 for industrial usage.	As inspected and confirmed by the appointed personnel of the Company that, as at the Valuation Date, the property was occupied by the Group for staff quarters, ancillary office and other supporting facilities purposes.	No commercial value (100% interest) *(See Note 6 below)*

Notes:

1. The right to possess the land is held by the State and the rights to use the land have been granted by the State to 深圳興利尊典傢俱有限公司 (translated as Shenzhen Xingli Zundian Furniture Co., Ltd. and hereinafter referred to as "Shenzhen Xingli Zundian") vide the following ways:

   (i) Pursuant to a Contract for the Grant of State-owned Land Use Rights known as Shen Di He Zi (2007) 5057 Hao (深地合字(2007)5057號) dated 29 June 2007 and made between the Shenzhen Municipal Land Resources and Real Estate Administrative Bureau and Shenzhen Xingli Zundian, the land use rights of a parcel of land having a site area of 41,064.83 sq.m. was granted to Shenzhen Xingli Zundian for a term of 50 years commencing from 29 June 2007 till 28 June 2057 for industrial usage; and

   (ii) Pursuant to a Realty Title Certificate known as Shen Fang Di Zi Di 8000007712 Hao (深房地字第8000007712號) dated 30 January 2008 and issued by the Longgang Sub-Bureau of Land Resources and Real Estate Management of Shenzhen Municipal, the legally interested party in the land having a site area of approximately 41,064.83 sq.m. is Shenzhen Xingli Zundian for a term of 50 years commencing from 29 June 2007 till 28 June 2057 for industrial usage.

2. According to a Realty Title Certificate known as Shen Fang Di Zi Di 6000587217 Hao (深房地字第6000587217號) dated 2 September 2013 and registered in the Shenzhen Real Estate Ownership Registration Centre, the legally interested party in 4 various buildings erected on the land as mentioned in Note 1 having a total gross floor area of approximately 35,009.60 sq. m. is Shenzhen Xingli Zundian. The area breakdown for each of the buildings covered in the certificate are as follows:

Buildings (no. of storey)	**Gross Floor Area (sq. m.)**
Workshop (single storey)	2,806.60
Workshop (3-storey)	25,608.96
Utility (single storey)	35.95
Dormitory (8-storey)	6,558.09
Total:	35,009.60

3. Pursuant to the Enterprise Legal Person Business Licence dated 23 May 2013, Shenzhen Xingli Zundian is a limited company which was established on 28 December 2004.

4. According to the legal opinion prepared by the Company's PRC legal adviser, Guangdong Lianrui Law Firm (廣東聯睿律師事務所) dated 17 January 2014, the following opinions are noted:

   (i) Shenzhen Xingli Zundian is the only one legally interested party in the property;

   (ii) according to a summary of the Government 4th No.51 General Meeting, the land use rights of the property cannot be transferred or leased;

   (iii) though item (ii) above restricted the transferability of the property, it is a supplemental condition imposed to the land grant of the property, it would not affect the land use rights of the legally interested party in the subject land. As such, Shenzhen Xingli Zundian has its right to mortgage the subject land; and

   (iv) should there be any default in mortgage repayment, the bank could exercise the foreclosure of the mortgaged land use rights and conduct public auction to redress the delinquency. There is no contradiction to the opinion of item (ii) above.

5. According to the mortgage agreement dated 22 February 2011 and made between the China Construction Bank Corporation Shenzhen Branch and Shenzhen Xingli Zundian, the property is subject to a mortgage in favour of the China Construction Bank Corporation Shenzhen Branch for a banking facility of RMB24,630,000.

6. Since the property is non-transferable, no commercial value was assigned to the property. For information purpose, the replacement cost new of the buildings of the property (including the construction in progress items) as at the Valuation Date was RMB 74,150,000.

1. RESPONSIBILITY STATEMENT

The sole director of the Offeror, Mr. Sung, accepts full responsibility for the accuracy of the information contained in this Composite Document (other than those related to the Group and the Directors (except for Mr. Sung)) and confirms, having made all reasonable enquiries, that to the best of his knowledge, opinions expressed in this Composite Document have been arrived at after due and careful consideration and there are no other facts (other than those related to the Group and the Directors (except for Mr. Sung)) not contained in this Composite Document the omission of which would make any statements in this Composite Document misleading.

2. SHAREHOLDING IN THE OFFEROR AND THE COMPANY

(i) Mr. Sung, the chairman of the Board and the chief executive officer of the Company, holds the entire equity interests of the Offeror as at the Latest Practicable Date.

(ii) Upon Completion and as at the Latest Practicable Date, the Offeror, Mr. Sung and parties acting in concert with any of them (including Mr. Chan, Mr. Cheung and Mr. Huang) were interested in a total of 140,000,000 Shares, representing approximately 57.76% of the entire issued share capital of the Company. Furthermore, (i) 1,498,670 Pre-IPO Options and 1,500,000 Options are held by Mr. Sung; (ii) 1,498,670 Pre-IPO Options are held by Mr. Chan; (iii) 1,498,670 Pre-IPO Options and 1,500,000 Options are held by Mr. Cheung; and (iv) 1,498,670 Pre-IPO Options and 1,000,000 Options are held by Mr. Huang. Save for the aforesaid, none of the persons acting in concert with the Offeror owns or controls any shares or warrants, options, derivatives or any securities of the Offeror or the Company.

3. DEALING IN SECURITIES

During the Relevant Period:

(i) save for the Sale Shares acquired under the Sale and Purchase Agreement, none of the Offeror, Mr. Sung or parties acting in concert with any of them had dealt in any Shares or other relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror or the Company;

(ii) the Company does not have any interests and has not had any dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror;

(iii) none of the Offeror or any persons acting in concert with it has any arrangement of the kind referred to in Note 8 to Rule 22 of the Takeovers Code; and

(iv) none of the Offeror, Mr. Sung or any persons acting in concert with any of them borrowed or lent any relevant securities (as defined under Note 4 to Rule 22 of the Takeovers Code) of the Offeror or the Company.

4. ADDITIONAL DISCLOSURE IN CONNECTION WITH THE SHARE OFFER

As at the Latest Practicable Date,

(i) there was no agreement or arrangement to which the Offeror was a party which related to the circumstances in which it might or might not invoke or seek to invoke a precondition or a condition to the Share Offer;

(ii) save for Top Prospect, which had undertaken not to accept the Share Offer in respect of its holding in 36,404,000 Shares, no person had, prior to posting of this Composite Document, irrevocably committed themselves to accept or reject the Share Offer;

(iii) the Offer Shares to be acquired by the Offeror through the Share Offer will be pledged as part of the Loan Security under the terms of the Facility. If there is any event of default under the Facility, SW Securities shall be entitled to enforce such security (including the exercise of power of sale and foreclosure in respect of these Offer Shares) and all rights pertaining to these Offer Shares. Save for the above, there was no agreement, arrangement or understanding that any securities of the Company pursuant to the Share Offer would be transferred, charged or pledged to any other persons; and

(iv) save for the irrevocable undertaking from Top Prospect as disclosed in the paragraph headed "Undertaking not to accept the Share Offer" in the "Letter from the Board" of this Composite Document and the Loan Security, there was no agreement, arrangement or understanding (including any compensation arrangement) between the Offeror, Mr. Sung and parties acting in concert with any of them on the one hand, and any Director, recent Directors, Shareholders or recent Shareholders on the other hand, which was conditional on or dependent upon the outcome of the Share Offer or otherwise connected with the Share Offer.

5. EXPERT AND CONSENT

The following is the qualification of the expert whose letter is contained in this Composite Document:

Name	Qualification
SW Capital	a corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, being the financial adviser to the Offeror in respect of the Share Offer

SW Capital has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its letter and references to its name and logo in the form and context in which they respectively appear.

6. MISCELLANEOUS

(i) The registered office of the Offeror is at Palm Grove House, P.O. Box 438, Road Town, Tortola, British Virgin Islands.

(ii) The registered office of SW Capital is at Level 19, 28 Hennessy Road, Hong Kong.

(iii) The registered office of SW Securities is at Level 19, 28 Hennessy Road, Hong Kong.

(iv) The sole director of the Offeror is Mr. Sung. The address of Mr. Sung is Flat A, 11/F, Tower 1, Dynasty Court, 23 Old Peak Road, Hong Kong.

(v) The principal members of the Offeror's concert group include Golden Sunday Limited, United Sino Limited and Top Right Trading Limited. Details of the principal members of the Offeror's concert group are as follows:

Name	Address	Director	Director's address
Golden Sunday Limited[1]	Sea Meadow House, Blackburne Highway, Road Town, Tortola, British Virgin Islands	Mr. Chan	23B, Block 15, Braemar Hill Mansions, 43 Braemar Hill Road, North Point, Hong Kong
United Sino Limited[2]	Sea Meadow House, Blackburne Highway, Road Town, Tortola, British Virgin Islands	Mr. Cheung	24A, Block 12, Braemar Hill Mansions, 37 Braemar Hill Road, North Point, Hong Kong
Top Right Trading Limited[3]	Palm Grove House, P.O. Box 438 Road Town, Tortola, British Virgin Islands	Mr. Huang	8/F, Block Q, The Swan Castle, Nanshan District, Shenzhen, Guangdong, the PRC

Notes:

1. The entire issued share capital of Golden Sunday Limited is owned by Mr. Chan.

2. The entire issued share capital of United Sino Limited is owned by Mr. Cheung.

3. The entire issued share capital of Top Right Trading Limited is owned by Mr. Huang.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any Business Day (i) at the head office and principal place of business of the Company in Hong Kong at Unit 1101, 11th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong; and (ii) on the websites of the SFC (www.sfc.hk) and the Company (www.hingleehk.com.hk) during the period from the date of this Composite Document up to and including the Closing Date:

(i) memorandum and articles of association of the Offeror;

(ii) the Sale and Purchase Agreement;

(iii) the letter from SW Capital, the text of which is set out on pages 5 to 13 of this Composite Document;

(iv) the letter of consent from SW Capital referred to in the paragraph headed "Expert and consent" in this appendix;

(v) the standby loan facility agreement entered into by the Offeror and SW Securities in respect of the Facility;

(vi) the personal guarantee letter of Mr. Sung dated 11 December 2013;

(vii) the agreement between Mr. Chan and SW Securities dated 11 December 2013 in respect of the share pledge on the 18,280,155 Shares legally and beneficially owned by Golden Sunday Limited (a company wholly and beneficially owned by Mr. Chan); and

(viii) the agreement between Mr. Cheung and SW Securities dated 11 December 2013 in respect of the share pledge on the 18,280,155 Shares legally and beneficially owned by United Sino Limited (a company wholly and beneficially owned by Mr. Cheung).

1. RESPONSIBILITY STATEMENT

The Directors jointly and severally accept full responsibility for the accuracy of the information contained in this Composite Document (other than those relating to the Offeror, Mr. Sung and parties acting in concert with any of them, the terms of the Share Offer and the Offeror's intention regarding the Group) and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this Composite Document (other than those relating to the Offeror, Mr. Sung and parties acting in concert with any of them, the terms of the Share Offer and the Offeror's intention regarding the Group) have been arrived at after due and careful consideration and there are no other facts not contained in this Composite Document, the omission of which would make any statement in this Composite Document misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, (i) the authorised share capital of the Company was HK$10,000,000.00 comprising 1,000,000,000 Shares; (ii) the issued share capital of the Company was HK$2,423,986.75 comprising 242,398,675 Shares; (iii) share options entitling holders thereof to subscribe for an aggregate of 8,992,020 Shares were outstanding under the Pre-IPO Share Option Scheme; and (iv) share options entitling holders thereof to subscribe for an aggregate of 4,000,000 Shares were outstanding under the Share Option Scheme. Save for the above, the Company had no outstanding warrants, options, derivatives or securities convertible into Shares and has not entered into any agreement for the issue of such securities, options, derivatives or warrants of the Company.

Shares issued since the end of last financial year of the Company

No Shares had been issued or repurchased since 31 December 2013, being the end of the last financial year of the Company.

Neither the Company nor any of its subsidiaries has made any repurchase of the Shares since the last financial year ended 31 December 2013.

There was no re-organisation of the capital of the Company during the two financial years preceding the date of the Joint Announcement.

3. MARKET PRICES

Set out below are the closing prices of the Shares which are the subject of the Offer quoted on the Stock Exchange on (a) the last trading day for each of the calendar months during the Relevant Period on which trading in the Shares took place; (b) the Last Trading Day; and (c) the Latest Practicable Date.

Date	Closing price per Share *(HK$)*
28 June 2013	0.71
31 July 2013	0.70
30 August 2013	0.79
30 September 2013	0.70
31 October 2013	1.00
29 November 2013	1.20
Last Trading Day	1.29
31 December 2013	1.39
Latest Practicable Date	1.28

The highest and lowest closing prices of the Shares as quoted on the Stock Exchange during the Relevant Period were HK$1.40 per Share on 24 December 2013 and HK$0.58 per Share on 5 July 2013 respectively.

4. DISCLOSURE OF INTERESTS

(a) Interests and short positions of the Directors and chief executive in the securities of the Company and its associated corporations

As at the Latest Practicable Date, 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 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 the Shares

Name of Director/ chief executive	Nature of interests	Number of Shares	Approximate percentage of the issued share capital of the Company
Mr. Sung *(note 1)*	Corporate interests	86,244,259	35.58%
Mr. Cheung *(note 2)*	Corporate interests	18,280,155	7.54%

Notes:

1. The Shares were held by the Offeror. By virtue of the SFO, Mr. Sung is deemed to be interested in the same parcel of Shares in which the Offeror is interested.

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

(ii) Long positions in the underlying Shares

Details of the holdings of the Directors and chief executive in the Pre-IPO Options and Options are set out in the section 4(d) of this appendix.

Save as disclosed in section 4(a) and 4(d) of this appendix, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company as recorded in 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 the Model Code or as disclosed in this Composite Document pursuant to the Takeovers Code.

(b) Substantial Shareholders and other person's interests and short positions in the Shares, underlying Shares and securities of the Company

As at the Latest Practicable Date, so far as was known to the Directors or the chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had an interest or short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, who was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstance at general meetings of any other member of the Group or had any options in respect of such capital:

Long positions in Shares of HK$0.01 each

Name	Capacity	Number of Shares	Approximate percentage of shareholding %	*Note*
Top Prospect	Beneficial owner	36,404,000	15.02	1
Mr. Yuan Han Xiang	Interest of a controlled corporation	36,404,000	15.02	1
King Right	Beneficial owner	86,244,259	35.58	2
Ms. Wong Wai King	Family interests	86,244,259	35.58	2
United Sino Limited	Beneficial owner	18,280,155	7.54	3
Ms. Li Xin	Family interests	18,280,155	7.54	3
Golden Sunday Limited	Beneficial owner	18,280,155	7.54	4
Mr. Chan	Interest of a controlled corporation	18,280,155	7.54	4
Ms. Ho Fung Ying	Family interests	18,280,155	7.54	4
Top Right Trading Limited	Beneficial owner	17,195,431	7.09	5
Mr. Huang	Interest of a controlled corporation	17,195,431	7.09	5
Ms. Ye Jian Qun	Family interests	17,195,431	7.09	5

Notes:

1. Top Prospect is a company beneficially wholly-owned by Mr. Yuan Han Xiang. By virtue of the SFO, Mr. Yuan Han Xiang is deemed to be interested in the same parcel of Shares in which Top Prospect is interested.

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

3. United Sino Limited is a company beneficially wholly-owned by Mr. Cheung, who is also the sole director of United Sino Limited. Ms. Li Xin is the spouse of Mr. 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 is a company beneficially wholly-owned by Mr. Chan. By virtue of the SFO, Mr. Chan is deemed to be interested in the same parcel of Shares in which Golden Sunday Limited 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 is a company beneficially wholly-owned by Mr. Huang. By virtue of the SFO, Mr. Huang is deemed to be interested in the same parcel of Shares in which Top Right Trading Limited is interested. Ms. Ye Jian Qun is the spouse of Mr. Huang 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 in section 4(b) of this appendix, as at the Latest Practicable Date, so far as was known to the Directors, no person (other than a Director or chief executive of the Company) had any interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or would fall to be disclosed in this Composite Document pursuant to the Takeovers Code, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or who had any options in respect of such capital.

(c) Interests in the Offeror

Mr. Sung, the chairman of the Board and the chief executive officer of the Company, holds the entire equity interest of the Offeror as at the Latest Practicable Date.

(d) Share option schemes

Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO Share Option Scheme, certain Directors and employees of the Group were granted share options to subscribe for Shares at the exercise price of HK$1.0647 per Share. Details of the share options movements during the period from 1 July 2013 up to the Latest Practicable Date under the Pre-IPO Share Option Scheme were as follows:

			Number of share options				
Name	Date of grant	Outstanding share options granted under the Pre-IPO Share Option Scheme as at 1 July 2013	Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Outstanding share options granted under the Pre-IPO Share Option Scheme as at the Latest Practicable Date	Exercise period
Directors of the Company							
Mr. Sung	29 May 2009	1,498,670	–	–	–	1,498,670	23/12/2009 – 30/12/2016
Mr. Cheung	29 May 2009	1,498,670	–	–	–	1,498,670	23/12/2009 – 30/12/2016
Mr. Sun Jian	29 May 2009	374,667	–	–	–	374,667	23/12/2009 – 19/6/2017
		187,334	–	–	–	187,334	20/6/2010 – 19/6/2017
		187,334	–	–	–	187,334	20/6/2011 – 19/6/2017
Other employees							
In aggregate	29 May 2009	3,746,675	–	–	–	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		8,992,020	–	–	–	8,992,020	

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

Share Option Scheme

The Company also adopted the Share Option Scheme. 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 share options movements during the period from 1 July 2013 up to the Latest Practicable Date under the Share Option Scheme were as follows:

Name	Outstanding share options granted under the Share Option Scheme as at 1 July 2013	Date of grant	Number of share options Granted during the period	 Exercised during the period	 Cancelled/ lapsed during the period	Outstanding share options granted under the Share Option scheme as at the Latest Practicable Date	Exercise period
Directors of the Company							
Mr. Sung	750,000	5 May 2011#	–	–	–	750,000	5/5/2012 – 4/5/2014
	750,000	5 May 2011#	–	–	–	750,000	1/1/2013 – 4/5/2014
Mr. Cheung	750,000	5 May 2011#	–	–	–	750,000	5/5/2012 – 4/5/2014
	750,000	5 May 2011#	–	–	–	750,000	1/1/2013 – 4/5/2014
Other employees							
In aggregate	500,000	5 May 2011#	–	–	–	500,000	5/5/2012 – 4/5/2014
	500,000	5 May 2011#	–	–	–	500,000	5/5/2013 – 4/5/2014
Total	4,000,000		–	–	–	4,000,000	

Note:

The exercise price of the options granted on 5 May 2011 under the Share Option Scheme as set out above is HK$1.80 per Share. The closing price of the Shares immediately before the date of grant of such options was HK$1.60 per share.

Save as disclosed in sections 4(a), 4(b) and 4(d) of this appendix, as at the Latest Practicable Date, none of the Directors had any interests in or owned or controlled any Shares or other securities of the Company carrying voting rights or convertible securities, warrants, options or derivatives of the Company.

5. DEALING IN SECURITIES

During the Relevant Period and as at the Latest Practicable Date,

(i) Mr. Sung held the entire equity interests of the Offeror. Save for the above, none of the Company or the Directors held or controlled, or has had any dealings in the relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Offeror;

(ii) save for the Offeror, a company wholly-owned by Mr. Sung, which entered into the Sale and Purchase Agreement with the Vendor for the acquisition of 67,964,104 Sale Shares at HK$1.02 per Sale Share, none of the Directors has had any dealings in any Shares, convertible securities, warrants, options or derivatives of the Company;

(iii) none of the subsidiaries of the Company or pension fund of the Company or any subsidiary of the Company or an adviser to the Company as specified in class (2) of the definition of associate under the Takeovers Code (including the Independent Financial Adviser) held or controlled, or has had any dealings in any Shares, convertible securities, warrants, options or derivatives of the Company; and

(iv) no fund managers connected with the Company held or controlled, or has had any dealings in any Shares, convertible securities, warrants, options or derivatives of the Company.

6. ARRANGEMENTS AFFECTING DIRECTORS

As at the Latest Practicable Date,

(i) there was no arrangement whereby any Directors would be given any benefit as compensation for loss of office or otherwise in connection with the Share Offer;

(ii) save for the irrevocable undertaking from Top Prospect as disclosed in the paragraph headed "Undertaking not to accept the Share Offer" in the "Letter from the Board" of this Composite Document and the Loan Security, there was no agreement or arrangement between any Director and any other person which was conditional on or dependent upon the outcome of the Share Offer or otherwise connected with the Share Offer; and

(iii) there was no material contract entered into by the Offeror in which any Director has a material personal interest.

7. DIRECTORS' SERVICE CONTRACTS

Executive Directors

Each of the executive Directors, namely Mr. Sung and Mr. Cheung, has entered into a service agreement with the Company for a term of three years commencing from 22 June 2012, which will be continuous thereafter until terminated by either party giving to the other not less than three months' prior written notice (each a "**Service Agreement**").

The amount of fixed remuneration per annum for each of Mr. Sung and Mr. Cheung is HK$1,000,000. Such fixed remuneration is subject to annual review with such increment (if any) at such rate to be determined by the remuneration committee of the Company and approved by a majority in number of the members of the Board (excluding Mr. Sung or Mr. Cheung in respect of his own Service Agreement). As at the Latest Practicable Date, no increment has been approved in any previous annual review.

Under the Service Agreements, each of Mr. Sung and Mr. Cheung is entitled to a discretionary bonus of a sum to be determined and approved by the Board at its absolute discretion having regard to the operating results of the Group and the performance of the executive Director, provided that the aggregate amount of discretionary bonuses payable to all the executive Directors in respect of any financial year of the Group shall not exceed 5% of the then audited consolidated net profits of the Group before taxation but after minority interests and the taxation attributable to the minority interests for the relevant financial year. Under the Service Agreements, each of Mr. Sung and Mr. Cheung will also be eligible to be granted options to subscribe for Shares under the Share Option Scheme. Save as disclosed above, the executive Directors are not entitled to any variable remuneration under the Service Agreements.

Non-executive Director and Independent non-executive Directors

Each of the non-executive Director and independent non-executive Directors, namely Mr. Fang Yan Zau, Alexander, Mr. Sun Jian, Ms. Shao Hanqing and Mr. Kong Hing Ki, has entered into a new appointment letter with the Company for a term of two years commencing from 22 June 2013 (each an "**Existing Appointment Letter**") after the expiry of his/her previous appointment letter (each a "**Previous Appointment Letter**").

Under the Existing Appointment Letters, each of Mr. Fang Yan Zau, Alexander, Mr. Sun Jian, Ms. Shao Hanqing and Mr. Kong Hing Ki is entitled to an annual director's fee of HK$100,000, and as a non-executive Director or an independent non-executive Director, each of Mr. Fang Yan Zau, Alexander, Mr. Sun Jian, Ms. Shao Hanqing and Mr. Kong Hing Ki will also be eligible to be granted options to subscribe for Shares under the Share Option Scheme. Save as above, the non-executive Director and independent non-executive Directors are not entitled to any variable remuneration under the Existing Appointment Letters.

Each Previous Appointment Letter was for a term of two years commencing from 22 June 2011. The remuneration entitled by each of Mr. Fang Yan Zau, Alexander, Mr. Sun Jian, Ms. Shao Hanqing and Mr. Kong Hing Ki under their respective Previous Appointment Letters was the same as the remuneration entitled by each of them under their respective Existing Appointment Letters as disclosed above.

Save as disclosed in section 7 of this appendix, as at the Latest Practicable Date, there was no service contract with the Company or any of its subsidiaries or associated companies in force for the Directors (i) which (including both continuous and fixed term contracts) has been entered into or amended within 6 months before the date of the Joint Announcement; (ii) which is a continuous contract with a notice period of 12 months or more; or (iii) which is a fixed term contract with more than 12 months to run irrespective of the notice period.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claims of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

9. MATERIAL CONTRACTS

The Group did not enter into any contract which are or may be material other than those entered into in the ordinary course of business carried on or intended to be carried on by the Company or any of its subsidiaries) within the two years immediately preceding the date on which the Offer Period commenced.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions or advice which are contained in this Composite Document:

Name	Qualification
Octal Capital Limited	a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee in respect of the Share Offer
LCH (Asia-Pacific) Surveyors Limited	Professional Surveyors
Baker Tilly Hong Kong Limited	Certified Public Accountants

Each of Octal Capital Limited, LCH (Asia-Pacific) Surveyors Limited and Baker Tilly Hong Kong Limited has given and has not withdrawn its written consent to the issue of this Composite Document with the inclusion of its advice, letter and recommendation and the references to its name and logo in the form and context in which they respectively appear.

11. MISCELLANEOUS

(i) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

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

(iii) The Board comprises two executive Directors, namely Mr. Sung and Mr. Cheung, one non-executive Director, namely Mr. Fang Yan Zau, Alexander, and three independent non-executive Directors, namely Mr. Sun Jian, Ms. Shao Hanqing and Mr. Kong Hing Ki.

(iv) The company secretary of the Company is Mr. Wong Kit Wai. 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.

(v) The Hong Kong share registrar is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. The principal share registrar and transfer office of the Company in Bermuda is MUFG Fund Services (Bermuda) Limited at 26 Burney Street, Hamilton, HM11, Bermuda.

(vi) The registered office of Octal Capital Limited is at Room 801-805, Nan Fung Tower, 173 Des Voeux Road Central, Hong Kong.

(vii) This Composite Document is prepared in both English and Chinese. In the event of inconsistency, the English texts shall prevail.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. on any Business Day (i) at the head office and principal place of business of the Company in Hong Kong at Unit 1101, 11th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong; and (ii) on the websites of the SFC (www.sfc.hk) and the Company (www.hingleehk.com.hk) during the period from the date of this Composite Document up to and including the Closing Date:

(i) the bye-laws of the Company;

(ii) the annual reports of Company for the two years ended 31 December 2011 and 2012;

(iii) the interim report of the Company for the six months ended 30 June 2013;

(iv) the letter from the Board, the text of which is set out on pages 14 to 19 of this Composite Document;

(v) the letter from the Independent Board Committee, the text of which is set out on pages 20 to 21 of this Composite Document;

(vi) the letter from the Independent Financial Adviser, the text of which is set out on pages 22 to 38 of this Composite Document;

(vii) the irrevocable undertaking from Top Prospect as disclosed in paragraph headed "Undertaking not to accept the Share Offer" in the "Letter from the Board" of this Composite Document;

(viii) the letter from Baker Tilly Hong Kong Limited on the January 2014 Profit Alert, the text of which is set out in Appendix III;

(ix) the letter from Octal Capital Limited on the January 2014 Profit Alert, the text of which is set out in Appendix IV;

(x) the valuation report relating to the property interests of the Group prepared by LCH (Asia-Pacific) Surveyors Limited, the text of which is set out in Appendix V;

(xi) the written consent from Octal Capital Limited referred to in the section headed "Experts and consents" in this appendix;

(xii) the written consent from LCH (Asia-Pacific) Surveyors Limited referred to in the section headed "Experts and consents" in this appendix;

(xiii) the written consent from Baker Tilly Hong Kong Limited referred to in the section headed "Experts and consents" in this appendix; and

(xiv) each Service Agreement, Existing Appointment Letter and Previous Appointment Letter referred to in the section headed "Directors' service contracts" in this appendix.