ROYALE FURNITURE HOLDINGS LIMITED
皇朝傢俬控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1198)

ANNUAL RESULTS
For the year ended 31 December 2009

RESULTS

The Board of Directors (the "Board") of Royale Furniture Holdings Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2009 together with the comparative audited figures for the year ended 31 December 2008. The annual results for the year ended 31 December 2009 have been reviewed by the Company's audit committee.

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
REVENUE	4	**688,441**	790,900
Cost of sales		**(452,998)**	(549,051)
Gross profit		**235,443**	241,849
Other income and gains	4	**62,346**	59,767
Selling and distribution costs		**(105,936)**	(195,117)
Administrative expenses		**(57,215)**	(68,345)
Impairment of goodwill		**—**	(111,688)
Other expenses		**(2,649)**	(10,884)
Finance costs	6	**(1,164)**	(3,196)
Share of profits and losses of associates		**3,352**	376
PROFIT/(LOSS) BEFORE TAX	5	**134,177**	(87,238)
Income tax expense	7	**(3,711)**	(2,302)
PROFIT/(LOSS) FOR THE YEAR		**130,466**	(89,540)
Attributable to:			
Owners of the parent	9	**130,466**	(89,626)
Minority interests		**—**	86
		130,466	(89,540)
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT	9		
Basic		**HK29.53 cents**	HK(28.46) cents *(restated)*
Diluted		**HK28.99 cents**	N/A

Details of the dividends payable and proposed for the year are disclosed in note 8 to the financial statements.

* *For identification purposes only*

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2009

	2009	2008
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**130,466**	(89,540)
OTHER COMPREHENSIVE INCOME		
Exchange differences on translation of foreign operations	**4,718**	36,770
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX	**4,718**	36,770
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**135,184**	(52,770)
Attributable to:		
Owners of the parent	**135,184**	(52,770)
Minority interests	**—**	86
	135,184	(52,684)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**386,200**	398,914
Prepaid land lease payments		**38,289**	37,859
Intangible assets		**3,972**	4,880
Interests in associates		**46,458**	32,005
Available-for-sale investments		**8,432**	—
Total non-current assets		**483,351**	473,658
CURRENT ASSETS			
Inventories		**118,844**	111,607
Trade receivables	*10*	**29,950**	66,544
Prepayments, deposits and other receivables		**112,255**	83,086
Derivative financial instruments		**14,000**	—
Cash and cash equivalents		**113,695**	40,414
Total current assets		**388,744**	301,651
CURRENT LIABILITIES			
Trade payables	*11*	**72,921**	86,494
Other payables and accruals		**84,657**	132,857
Interest-bearing bank loans		**1,498**	28,697
Tax payable		**66,064**	62,355
Total current liabilities		**225,140**	310,403
NET CURRENT ASSETS/(LIABILITIES)		**163,604**	(8,752)
TOTAL ASSETS LESS CURRENT LIABILITIES		**646,955**	464,906
NON-CURRENT LIABILITIES			
Interest-bearing bank loans		**24,601**	10,645
Total non-current liabilities		**24,601**	10,645
Net assets		**622,354**	454,261
EQUITY			
Equity attributable to owners of the parent			
Issued capital		**46,676**	31,117
Reserves		**525,680**	413,948
Proposed final dividends	*8*	**45,470**	4,668
		617,826	449,733
Minority interests		**4,528**	4,528
Total equity		**622,354**	454,261

1. CORPORATE INFORMATION

Royale Furniture Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered office of the Company is located at Century Yard, Cricket Square, Hutchins Drive, P.O. Box 2681 GT, Grand Cayman, the Cayman Islands.

The principal activity of the Company is investment holding. There were no significant changes in the nature of the subsidiaries' principal activities during the year.

In the opinion of the Directors, the parent and the ultimate holding companies of the Group are Crisana International Inc. and Charming Future Holdings Limited, which are incorporated in the British Virgin Islands.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain land and buildings, derivative financial instruments and equity investments, which have been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2009. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

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

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements. Except for in certain cases, giving rise to new and revised accounting policies and additional disclosures, the adoption of these new and revised HKFRSs interpretations and amendments has had no significant effect on these financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs and HKAS 27 Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
HKFRS 8	*Operating Segments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives and HKAS 39 Financial Instruments: Recognition and Measurement — Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)	Amendments to a number of HKFRSs

* Included in *Improvements to HKFRSs 2009* (as issued in May 2009).

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) Amendments to HKFRS 1 *First-time Adoption of HKFRSs and* HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*

The HKAS 27 Amendment requires all dividends from subsidiaries, associates or jointly-controlled entities to be recognised in the income statement in the parent's separate financial statements. The distinction between pre and post acquisition profits is no longer required. However, the payment of such dividends requires the Company to consider whether there is an indicator of impairment. The amendment is applied prospectively. HKAS 27 has also been amended to deal with the measurement of the cost of investments where a parent reorganises the structure of its group by establishing a new entity as its parent. The HKFRS 1 Amendment allows a first-time adopter of HKFRSs to measure its investment in subsidiaries, associates or jointly-controlled entities using a deemed cost. As the Group is not a first-time adopter of HKFRSs, the HKFRS 1 Amendment is not applicable to the Group.

(b) Amendments to HKFRS 2 *Share-based Payment — Vesting Conditions and Cancellations*

The HKFRS 2 Amendments clarify that vesting conditions are service conditions and performance conditions only. Any other conditions are non-vesting conditions. Where an award does not vest as a result of a failure to meet a non-vesting condition that is within the control of either the entity or the counterparty, this is accounted for as a cancellation. As the Group has not entered into share-based payment schemes with non-vesting conditions attached, the amendments have had no impact on the financial position or result of operations of the Group.

(c) Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*

The HKFRS 7 Amendments require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by sources of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognised at fair value. In addition, a reconciliation between the beginning and ending balance is now required for level 3 fair value measurements, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and assets used for liquidity management. The adoption of the amendments has had no material impact on the disclosures of financial statements.

(d) HKFRS 8 *Operating Segments*

HKFRS 8, which replaces HKAS 14 Segment Reporting, specifies how an entity should report information about its operating segments, based on information about the components of the entity that is available to the chief operating decision maker for the purposes of allocating resources to the segments and assessing their performance. The standard also requires the disclosure of information about the products and services provided by the segments, the geographical areas in which the Group operates, and revenue from the Group's major customers. The Group concluded that the operating segments determined in accordance with HKFRS 8 are the same as the business segments previously identified under HKAS 14. These revised disclosures, including the related revised comparative information, are shown in note 3 to the financial statements.

(e) HKAS 1 (Revised) *Presentation of Financial Statements*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owner changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expense recognised in profit or loss, together with all other items of recognised income and expense recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present two statements.

(f) Amendment to Appendix to HKAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*

Guidance has been added to the appendix (which accompanies the standard) to determine whether the Group is acting as a principal or as an agent. The features to consider are whether the Group (i) has the primary responsibility for providing the goods or services, (ii) has inventory risk, (iii) has the discretion to establish prices and (iv) bears credit risk. The Group has assessed its revenue arrangements against these criteria and concluded that it is acting as a principal in all arrangements. The amendment has had no impact on the financial position or results of operations of the Group.

(g) HKAS 23 (Revised) *Borrowing Costs*

HKAS 23 has been revised to require capitalisation of borrowing costs when such costs are directly attributable to the acquisition, construction or production of a qualifying asset. As the Group's current policy for borrowing costs aligns with the requirements of the revised standard, the revised standard has had no impact on the financial position or results of operations of the Group.

(h) Amendments to HKAS 32 *Financial Instruments: Presentation and HKAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*

The HKAS 32 Amendments provide a limited scope exception for puttable financial instruments and instruments that impose specified obligations arising on liquidation to be classified as equity if they fulfil a number of specified features. The HKAS 1 Amendments require disclosure of certain information relating to these puttable financial instruments and obligations classified as equity. As the Group currently has no such financial instruments or obligations, the amendments have had no impact on the financial position or results of operations of the Group.

(i) Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*

The amendment to HK(IFRIC)-Int 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. HKAS 39 has been revised to state that if an embedded derivative cannot be separately measured, the entire hybrid instrument must remain classified as fair value through profit or loss in its entirety. The adoption of the amendments has had no impact on the financial position or results of operations of the Group.

(j) HK(IFRIC)-Int 13 *Customer Loyalty Programmes*

HK(IFRIC)-Int 13 requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted. The consideration received in the sales transaction is allocated between the loyalty award credits and the other components of the sale. The amount allocated to the loyalty award credits is determined by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. As the Group currently has no customer loyalty award scheme, the interpretation has had no impact on the financial position or results of operations of the Group.

(k) HK(IFRIC)-Int 15 *Agreements for the Construction of Real Estate*

HK(IFRIC)-Int 15 replaces HK Interpretation 3 Revenue — *Pre-completion Contracts for the Sale of Development Properties*. It clarifies when and how an agreement for the construction of real estate should be accounted for as a construction contract in accordance with HKAS 11 *Construction Contracts* or an agreement for the sale of goods or services in accordance with HKAS 18 *Revenue*. The interpretation has had no impact on the financial position or results of operations of the Group.

(l) HK(IFRIC)-Int 16 *Hedges of a Net Investment in a Foreign Operation*

HK(IFRIC)-Int 16 provides guidance on the accounting for a hedge of a net investment in a foreign operation. This includes clarification that (i) hedge accounting may be applied only to the foreign exchange differences arising between the functional currencies of the foreign operation and the parent entity; (ii) a hedging instrument may be held by any entities within a group; and (iii) on disposal of a foreign operation, the cumulative gain or loss relating to both the net investment and the hedging instrument that was determined to be an effective hedge should be reclassified to the income statement as a reclassification adjustment. As the Group currently has no hedge of a net investment in a foreign operation, the interpretation has had no impact on the financial position or results of operations of the Group.

(m) HK(IFRIC)-Int 18 *Transfers of Assets from Customers (adopted from 1 July 2009)*

HK(IFRIC)-Int 18 provides guidance on accounting by recipients that receive from customers items of property, plant and equipment or cash for the acquisition or construction of such items, provided that these assets must then be used to connect customers to networks or to provide ongoing access to a supply of goods or services, or both. As the Group currently has no such transactions, the interpretation has had no impact on the financial position or results of operations of the Group.

(n) In October 2008, the HKICPA issued its first *Improvements to HKFRSs* which sets out amendments to a number of HKFRSs. Except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary* which is effective for annual periods beginning on or after 1 July 2009, the Group adopted all the amendments from 1 January 2009. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact to the Group. Details of the key amendments most applicable to the Group are as follows:

HKFRS 7 *Financial Instruments: Disclosures*: Removes the reference to "total interest income" as a component of finance costs.

HKAS 1 *Presentation of Financial Statements*: Clarifies that assets and liabilities which are classified as held for trading in accordance with HKAS 39 are not automatically classified as current in the statement of financial position.

HKAS 16 *Property, Plant and Equipment*: Replaces the term "net selling price" with "fair value less costs to sell" and the recoverable amount of property, plant and equipment is the higher of an asset's fair value less costs to sell and its value in use.

In addition, items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental are transferred to inventories when rental ceases and they are held for sale.

HKAS 20 *Accounting for Government Grants and Disclosure of Government Assistance*: Requires government loans granted in the future with no or at a below-market rate of interest to be recognised and measured in accordance with HKAS 39 and the benefit of the reduced interest to be accounted for as a government grant.

HKAS 28 *Investment in Associates*: Clarifies that an investment in an associate is a single asset for the purpose of conducting the impairment test and that no impairment is separately allocated to goodwill included in the investment balance.

HKAS 36 *Impairment of Assets*: When discounted cash flows are used to estimate "fair value less costs to sell", additional disclosures (e.g., discount rate and growth rate used) are required which are consistent with the disclosures required when the discounted cash flows are used to estimate "value in use".

HKAS 38 *Intangible Assets*: Expenditure on advertising and promotional activities is recognised as an expense when the Group either has the right to access the goods or has received the service.

The reference to there being rarely, if ever, persuasive evidence to support an amortisation method for intangible assets other than the straight-line method has been removed. The Group has reassessed the useful lives of its intangible assets and concluded that the straight-line method is still appropriate.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	*Amendment to HKAS 32 Financial Instruments: Presentation-Classification of Rights Issues* [3]
HK(IFRIC)-Int 14 Amendments	*Amendments to HK(IFRIC)-Int 14 Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to Sell the Controlling Interest in a Subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

Apart from the above, the HKICPA has issued Improvements to HKFRSs 2009 which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

HKFRS 1 (Revised) was issued with an aim to improve the structure of the standard. The revised version of the standard does not make any changes to the substance of accounting by first-time adopters. As the Group is not a first-time adopter of HKFRSs, the amendments will not have any financial impact on the Group.

The HKFRS 2 Amendments provide guidance on how to account for cash-settled share-based payment transactions in the separate financial statements of the entity receiving the goods and services when the entity has no obligation to settle the share-based payment transactions. The amendments also incorporate guidance that was previously included in HK(IFRIC)-Int 8 Scope of *HKFRS 2* and HK(IFRIC)-Int 11 *HKFRS 2 — Group and Treasury Share Transactions*. The Group expects to adopt the HKFRS 2 Amendments from 1 January 2010. The amendments are unlikely to have any significant implications on the Group's accounting for share-based payments.

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Other consequential amendments were made to HKAS 7 *Statement of Cash Flows*, HKAS 12 *Income Taxes*, HKAS 21 *The Effects of Changes in Foreign Exchange Rates*, HKAS 28 *Investments in Associates and* HKAS 31 *Interests in Joint Ventures*.

The Group expects to adopt HKFRS 3 (Revised) and HKAS 27 (Revised) from 1 January 2010. The changes introduced by these revised standards must be applied prospectively and will affect the accounting of future acquisitions, loss of control and transactions with minority interests.

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety by the end of 2010. The Group expects to adopt HKFRS 9 from 1 January 2013. The Group expects to early adopt HKFRS 9 from 1 January 2010 and continue to apply HKAS 39 for accounting requirements for financial instruments within its scope that are not covered by HKFRS 9. In accordance with the transitional provisions of HKFRS 9, the Group is not required to restate prior period amounts.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011 and the comparative related party disclosures will be amended accordingly. While the adoption of the revised standard will result in changes in the accounting policy, the revised standard is unlikely to have any impact on the related party disclosures as the Group currently does not have any significant transactions with government related entities.

The HKAS 32 Amendment revises the definition of financial liabilities such that rights, options or warrants issued to acquire a fixed number of the entity instruments for a fixed amount of any currency are equity instruments, provided that the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. The Group expects to adopt the HKAS32 Amendment from 1 January 2011. As the Group currently has no such rights, options or warrants in issue, the amendment is unlikely to have any financial impact on the Group.

The HK(IFRIC)-Int 14 Amendments remove an unintended consequence arising from the treatment of prepayments of future contributions in certain circumstances when there is a minimum funding requirement. The amendments require an entity to treat the benefit of an early payment as a pension asset. The economic benefit available as a reduction in future contributions is thus equal to the sum of (i) the prepayment for future services and (ii) the estimated future services costs less the estimated minimum funding requirement contributions that would be required as if there were no prepayments. The Group expects to adopt the HK(IFRIC)-Int 14 Amendments from 1 January 2011. As the Group has no defined benefit scheme, the amendments will not have any financial impact on the Group.

HK(IFRIC)-Int 17 standardises practice in the accounting for non-reciprocal distributions of non-cash assets to owners. The Group expects to apply the interpretation from 1 January 2010 prospectively. The interpretation clarifies that (i) a dividend payable should be recognised when the dividend is appropriately authorised and is no longer at the discretion of the entity; (ii) an entity should measure the dividend payable at the fair value of the net assets to be distributed; and (iii) an entity should recognise the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss. Other consequential amendments were made to HKAS 10 *Events after the Reporting Period* and HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. While the adoption of the interpretation may result in changes in certain accounting policies, the interpretation is unlikely to have any material financial impact on the Group.

HK(IFRIC)-Int 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. The Group expects to adopt the interpretation from 1 January 2011. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability are consideration paid in accordance with HKAS 39 *Financial Instruments: Recognition and Measurement* and the difference between the carrying amount of the financial liability extinguished, and the consideration paid, shall be recognised in profit or loss. The consideration paid should be measured based on the fair value of the equity instrument issued or, if the fair value of the equity instrument cannot be reliably measured, the fair value of the financial liability extinguished. As the Group has not undertaken such transactions, the interpretation is unlikely to have any material financial impact on the Group.

The amendments to HKFRS 5 clarify that all assets and liabilities of a subsidiary shall be classified as held for sale if an entity has a sale plan involving loss of control of the subsidiary, regardless of whether the entity will retain a non-controlling interest. The Group expects to adopt the amendments from 1 January 2010. The changes must be applied prospectively and will affect future sale transactions or plans involving loss of control of a subsidiary.

Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. Except for the amendment to HKAS 18, the Group expects to adopt the amendments from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group. Those amendments that are expected to have a significant impact on the Group are as follows:

(a) *HKFRS 2 Share-based Payment*: Clarifies that a contribution of a business on the formation of a joint venture and combination of entities or businesses under common control is not within the scope of HKFRS 2 even though it is outside the scope of HKFRS 3.

(b) HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*: Clarifies that (i) the disclosures required in respect of non-current assets classified as held for sale or a discontinued operation are those set out in HKFRS 5; (ii) the general requirements of HKAS 1 still apply (e.g., source of estimation uncertainty); and (iii) the disclosures in other HKFRSs are not required unless:

    (i) those HKFRSs specifically require disclosures in respect of non-current assets classified as held for sale or discontinued operations; or

    (ii) the disclosures relate to the measurement of assets or liabilities within a disposal group that are outside the scope of measurement requirements of HKFRS 5 and disclosures are not disclosed elsewhere in the financial statements.

(c) HKFRS 8 *Operating Segments*: Clarifies that segment assets and liabilities need only to be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.

(d) HKAS 1 *Presentation of Financial Statements*: States that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

(e) HKAS 7 *Statement of Cash Flows*: Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities.

(f) HKAS 17 *Leases*: Removes the specific guidance on classifying land as a lease. As a result, leases of land should be classified as either operating or finance leases in accordance with the general guidance in HKAS 17.

    HK Interpretation 4 Leases — *Determination of the Length of Lease Term in respect of Hong Kong Land Leases* is revised as a consequence of the amendment to HKAS 17 *Leases included in Improvements to HKFRSs 2009*. Following this amendment, the scope of HK Interpretation 4 has been expanded to cover all land leases, including those classified as finance leases. As a result, this Interpretation is applicable to all leases of property accounted for in accordance with HKAS 16, HKAS 17 and HKAS 40.

(g) HKAS 36 *Impairment of Assets*: Clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment as defined in HKFRS 8 *Operating Segments* before aggregation for financial reporting purposes.

(h) HKAS 38 *Intangible Assets*: Clarifies that (i) if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognise the group of assets as a single asset provided that the individual assets have similar useful lives; and (ii) the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.

(i) HKAS 39 *Financial Instruments*: *Recognition and Measurement*: Clarifies that (i) a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract; (ii) the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date, applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken; and (iii) gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognised financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.

(j) HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives*: Clarifies that it does not apply to possible reassessment, at the date of acquisition, to embedded derivatives in contracts acquired in a combination between entities or businesses under common control or the formation of a joint venture.

(k) HK(IFRIC)-Int 16 Hedges *of a Net Investment in a Foreign Operation*: Removes the restriction of where the hedging instrument may be held in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the Group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of HKAS 39 that relate to a net investment hedge are satisfied.

3. OPERATING SEGMENT INFORMATION

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

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

(a) the franchise operation segment engages in the sale of home furniture through franchise operation; and

(b) the self-operating shops segment engages in the sale of home furniture through self-operating shops.

In determining the Group's geographical segments, revenues are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

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

(a) **Business segments**

The following tables present revenue, profit and certain asset, liability and expenditure information for the Group's business segments for the years ended 31 December 2009 and 2008.

Year ended 31 December 2009	**Franchise operation** *HK$'000*	**Self-operating shops** *HK$'000*	**Consolidated** *HK$'000*
Segment revenue:			
Sales to external customers	539,385	149,056	688,441
Intersegment sales	70,756	—	70,756
Total	610,141	149,056	759,197
Reconciliation:			
Elimination of intersegment sales			(70,756)
Revenue			688,441
Segment results	123,964	18,354	142,318
Reconciliation:			
Interest income			367
Dividend income and unallocated gains			4,856
Corporate and other unallocated expenses			(12,200)
Finance costs			(1,164)
Profit before tax			134,177

As at Year ended 31 December 2009	**Franchise operation** *HK$'000*	**Self-operating shops** *HK$'000*	**Consolidated** *HK$'000*
Segment assets	699,524	48,635	748,159
Reconciliation:			
Elimination of intersegment receivables			(40,405)
Corporate and other unallocated assets			164,341
Total assets			872,095
Segment liabilities	170,606	10,455	181,061
Reconciliation:			
Elimination of intersegment payables			(80)
Corporate and other unallocated liabilities			68,760
Total liabilities			249,741

Year ended 31 December 2009	Franchise operation HK$'000	Self-operating shops HK$'000	Consolidated HK$'000
Other segment information			
Share of profits and losses of:			
Associates	3,259	93	3,352
Other non-cash expenses			
Depreciation and amortisation	36,224	4,677	40,901
Interests in associates	36,352	10,106	46,458
Capital expenditure	27,421	3,609	31,030*

* Capital expenditure consists of additions to property, plant and equipment, and prepaid land lease payments.

Year ended 31 December 2008	Franchise operation HK$'000	Self-operating shops HK$'000	Consolidated HK$'000
Segment revenue:			
Sales to external customers	649,818	141,082	790,900
Intersegment sales	82,365	—	82,365
Total	732,183	141,082	873,265
Reconciliation:			
Elimination of intersegment sales			(82,365)
Revenue			790,900
Segment results	329	(77,471)	(77,142)
Reconciliation:			
Interest income			520
Dividend income and unallocated gains			3,887
Corporate and other unallocated expenses			(11,307)
Finance costs			(3,196)
Loss before tax			(87,238)

As at 31 December 2008	Franchise operation	Self-operating shops	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Segment assets	697,303	55,641	752,944
Reconciliation:			
Elimination of intersegment receivables			(39,910)
Corporate and other unallocated assets			62,275
Total assets			775,309
Segment liabilities	207,080	17,225	224,305
Reconciliation:			
Elimination of intersegment payables			(981)
Corporate and other unallocated liabilities			97,724
Total liabilities			321,048

Year ended 31 December 2008	Franchise operation	Self-operating shops	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Other segment information			
Share of profits and losses of:			
Associates	272	104	376
Other non-cash expenses			
Depreciation and amortisation	33,210	6,785	39,995
Interests in associates	21,992	10,013	32,005
Capital expenditure	115,920	5,351	121,271

(b) Geographical information

The revenue, expenses, profit, assets and liabilities and capital expenditures are principally located in the People's Republic of China (the "PRC").

4. REVENUE, OTHER INCOME AND GAINS

Revenue, which is also the Group's turnover, represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

An analysis of the Group's revenue, other income and gains is as follows:

	2009	2008
	HK$'000	*HK$'000*
Revenue		
Sale of goods	**688,441**	790,900
Other income and gains		
Bank interest income	**367**	520
Accessories income	**51,165**	55,736
Reversals of write-down of inventories	**9,310**	—
Others	**1,504**	3,511
	62,346	59,767

5. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax is arrived at after charging/(crediting):

	2009	2008
	HK$'000	*HK$'000*
Cost of goods sold	**452,998**	549,051
Depreciation of items of property, plant and equipment	**41,085**	40,505
Recognition of prepaid land lease payments	**880**	589
Amortisation of intangible assets*	**906**	1,209
Loss on disposal of items of property, plant and equipment**	**34**	502
Loss on disposal of assets held for sale**	**—**	2,293
Research and development costs*	**6,155**	7,742
Minimum lease payments under operating leases: Land and buildings	**42,793**	41,553
Auditors' remuneration	**1,880**	1,880
Employee benefit expense:		
(excluding directors' remuneration)		
Wages and salaries	**95,659**	82,566
Equity-settled share option expense	**3,036**	423
Pension scheme contributions	**1,939**	4,838
	100,634	87,827
Donation**	**—**	2,914
Impairment of trade receivables***	**7,453**	719
Foreign exchange difference, net	**45**	1,896
Reversals of write-down of inventories	**(9,310)**	—
Bank interest income	**(367)**	(520)

* The amortisation of intangible assets of trademarks and research and development costs for the year are included in "Administrative expenses" on the face of the consolidated income statement.

** The loss on disposal of items of property, plant and equipment and loss on disposal of assets held for sale for the year are included in "Other expenses" on the face of the consolidated income statement.

*** The impairment of trade receivables is included in the "Cost of Sales" on the face of the consolidated income statement.

6. FINANCE COSTS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Interest on bank loans	**1,164**	3,196

7. INCOME TAX

Hong Kong profits tax has not been provided as the Group did not generate any assessable profits in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

	Group	
	2009	2008
	HK$'000	*HK$'000*
Group:		
Current — PRC corporate income tax	**3,711**	2,302

8. DIVIDENDS

	Group	
	2009	2008
	HK$'000	*HK$'000*
Interim — 2009: HK1.6 cents (2008: HK1.2 cents) per ordinary share	**7,468**	3,734
Proposed final — 2009: HK8.5 cents (2008: HK1.0 cent) per ordinary share	**45,470**	4,668
	52,938	8,402

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

9. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of basic earnings/(loss) per share is based on the profit/(loss) for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 441,770,528(2008: 314,923,084) in issue during the year, as adjusted to reflect the open offer during the year.

The calculation of the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings/(loss) per share are based on:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Earnings/loss		
Profit/(loss) attributable to ordinary equity holders of the parent, used in the basic and diluted earnings/(loss) per share calculations	**130,466**	(89,626)

	Number of shares	
	2009	2008
		(restated)
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings/(loss) per share calculation	**441,770,528**	314,923,084
Effect of dilution — weighted average number of ordinary shares:		
Share options	**8,304,000**	—
	450,074,528	314,923,084

10. TRADE RECEIVABLES

	Group	
	2009	2008
	HK$'000	*HK$'000*
Trade receivables	**41,852**	70,993
Impairment	**(11,902)**	(4,449)
	29,950	66,544

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally 30 to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provision, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**26,182**	42,642
31 to 90 days	**1,594**	16,722
91 to 180 days	**756**	4,642
Over 180 days	**1,418**	2,538
	29,950	66,544

Included in the Group's trade receivables is an amount due from the Group's associate of HK$1,453,000 (2008: HK$2,345,000) which is repayable on similar credit terms to those offered to the major customers of the Group.

11. TRADE PAYABLES

An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2009	2008
	HK$'000	*HK$'000*
Within 30 days	**47,014**	54,776
31 to 90 days	**24,258**	30,001
91 to 180 days	**656**	806
181 to 360 days	**128**	483
Over 360 days	**865**	428
	72,921	86,494

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

There were no trade payables due to associates as at 31 December 2009 (2008: HK$14,595,000).

12. EVENTS AFTER THE REPORTING PERIOD

(i) On 4 January 2010, Chitaly Furniture Global Limited (the "Purchaser"), a wholly-owned subsidiary of the Company, entered into agreements with Mr. Liyi and Mr. Zeng Pengfei (the "Vendors"), pursuant to which the Purchaser has conditionally agreed to purchase and the Vendors have conditionally agreed to sell or procure the sale of the Sale Shareholding, representing an aggregate of 50% of the entire registered capital of 北京裕發家具有限公司 (the "Target") Beijing Yu Fa Jia Ju Co. Ltd., for an aggregate consideration of HK$75 million, which was satisfied by way of allotment and issue of a total of 68,180,000 shares (credited as fully paid) by the Company at HK$1.10 per share to the Vendors. Upon completion, the Purchaser would hold 50% of the entire registered capital of the Target. The same was completed on 10 February 2010.

(ii) On 14 April 2010, the Company has granted share options to the grantee which, subject to their acceptance, entitle them to subscribe for a total of 2,000,000 ordinary shares of HK$0.10 each of the Company under the share option scheme adopted by the Company on 26 April 2002.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board recommends the payment of a final dividend of HK8.5 cents per share for the year ended 31 December 2009 (2008: HK1.0 cent). Together with the interim dividend of HK1.6 cents per share (2008: HK1.2 cents), the total dividend for the year ended 31 December 2009 is HK10.1 cents per share (2008: HK2.2 cents). Subject to the approval of the shareholders at the forthcoming Annual General Meeting ("AGM"), the final dividend will be distributed on or about 8 June 2010 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 1 June 2010.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 25 May 2010 to 1 June 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend and attending the forthcoming AGM, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Branch Registration Office in Hong Kong, Tricor Tengis Limited, at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 24 May 2010.

FINANCIAL REVIEW

During the year under review, the Group's revenue increased by 5.0% to HK$688 million from HK$655 million which is excluding the one-off transaction of a sale valued at HK$136 million to the Beijing 2008 Olympic Games from the 2008 total revenue of HK$791 million. The overall gross profit margin has improved from 30.6% to 34.2% year-on-year due to better product planning and pricing, stringent cost control measures on direct material and labour and reductions in raw material prices. In addition, selling expenses dropped sharply from HK$195 million to HK$106 million and administrative expenses also declined from HK$68 million to HK$57 million. These drastic expense reductions were the result of management restructuring implemented in early 2009 and the one-off marketing expenses totaling HK$55 million incurred for the Beijing 2008 Olympic Games in the previous year. The Group has achieved a profit of HK$130 million for the year under review compared to a loss of HK$90 million in 2008 (a profit of HK$22 million excluding the one-time write-off of goodwill).

BUSINESS REVIEW

Sales Network Management

During the year, the Group has adjusted its strategy in managing its sales network through an increased focus on improving the profitability of its existing franchisees and self-operating stores, and away from merely expanding the number of its stores. The Group's total number of stores decreased slightly from 1,400 in 2008 to 1,378 in 2009, while the average revenue per store increased by 6.8% to approximately HK$0.5 million. This strategic shift has been reflected in optimising the product mix of the store outlets which has resulted in better pricing structure and an increased gross profit margin. The gross profit margin of sales to franchisees and others increased slightly from 29.5% to 30.5%, whereas that of the self-operating stores rose sharply from 35.2% in 2008 to 46.9% in 2009.

Brand Management

With the success of the Group's 2008 Olympic project in concert with its sustained brand building efforts over the years, the "Royal Furniture" brand is recognised and respected throughout China. Hence, during the year, the Group has adjusted its advertising strategy and became more selective in advertising in media channels to suit its various targeted market segments. This strategy has proven to be very effective in cutting cost while generating an optimal promotional response.

Product Development

As China's middle-class continues its rapid expansion and their disposable incomes continue rising in parallel with their ever sophisticated tastes, demand for high quality furniture is also strengthening. The Group continued to develop new series of products to address this trend and meet the market demand. During the year, the Group joined forces with a major sub-contractor in Beijing in a joint venture to design and produce furniture crafted from the finest hardwood. Becoming an effective subsidiary of the Group in January 2010, the joint venture has launched the hardwood products under the Group's Phoenix series. This furniture series, initially conceived to be designed in elegant Chinese palace style, will add a classical Western palace style line to capture the increasing number of more discriminating customers. The Group expects the series to generate respectable sales revenues as it becomes more widely available throughout the Royal Furniture's sales network. Similarly, the Group's sofa division has accelerated the launch of new products thereby anticipating and satisfying the demands of the market on a timely basis.

Production Efficiency

In early 2009, the Group reorganised its production resources and implemented new management policies by setting production targets for its production units while providing incentives to boost productivity and lower costs. This initiative has proven highly effective with the production units reducing raw material and labour cost while also enhancing the workflow, yielding higher productivity and contributing to improved cost-efficiency of the Group's operations.

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a cash and cash equivalent balance of HK$114 million as at 31 December 2009 (2008: HK$40 million). The Group is principally financed by cash flow from operating activities. The Group believes that cash flow generated from its internal operations are sufficient to meet its funding requirements of operating the Group's business.

As at 31 December 2009, except for the interest bearing loans amounted to HK$26 million (2008: HK$39 million), the Group had no other bank borrowings and contingent liabilities. As at the year-end, the total debt to equity ratio of the Group was 40.1% (2008: 70.7%). This represents a very low gearing ratio. Approximately 33.8% of the Group's cash was denominated in Renminbi with the remaining balance denominated in Hong Kong Dollars. The exposure to currency exchange rate fluctuation has been minimal.

As at 31 December 2009, the liquidity of the Group has vastly improved as its current ratio (current assets to current liabilities) has increased to 1.73 (2008: 0.97) and the net current liabilities of HK$8.8 million in 2008 have become net current assets of HK$163.6 million.

PROSPECTS

After more than an entire year of implementing the new policy initiatives to boost its operational efficiency, the Group is confident it can move forward in the years ahead to make the most out of the growth opportunities presented by the rapidly expanding Chinese consumer market. Reinforced by the robust property market and massive urbanisation of the country, the prospects for continued expansion of the furniture industry and the Group's business appear to be bright. Although the Chinese central government has recently imposed austerity policies to contain the potential property market bubble in the major cities of China, such polices are not expected to affect our targeted growth area of more than 2,000 rural county townships across China. The Group currently has outlets in about 600 of these county townships, a penetration rate of only 30%. Thus there is plenty of scope for growth through enhancing the sales productivity in these 600 township outlets and extending our sales reach to the remaining 1,400 townships.

Strengthened by the restructuring and new management policies, the Group is positioned to expand in the coming year. Towards that end it will actively recruit university graduates from several major universities in China for the in-house management trainee programme in a bid to build up its operational management capability in the years ahead. It is also evaluating expansion of its production facilities outside of Guangdong Province to better cope with the growing market demand throughout China.

By virtue of its past involvement in the Beijing 2008 Olympic Games and the exclusive contract to supply all furniture products to the 26th Summer Universiade to be held at Shenzhen in 2011, the Group expects the "Royal Furniture" brand continues to be valued and recognised throughout China. The Group intends to leverage its brand recognition and continue its efforts to boost the sales network and meet the anticipated rise in sales for elegant furniture.

EMPLOYMENT AND REMUNERATION POLICY

The total number of employees of the Group as at 31 December 2009 was approximately 2,500 (2008: 2,300). The Group's remuneration policies are in line with local market practices where the Group operates and are normally reviewed on an annual basis. In addition to salary payments, there are other staff benefits including provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees and persons of the Group. As at 31 December 2009, there were outstanding share options of approximately 37.6 million.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company has complied with all of the applicable code provisions of the Code on Corporate Governance Practices (the "CG Code") as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") throughout the year.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted for compliance by the directors the code of conduct for dealings in securities of the Company as set out in Appendix 10 — Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code"), of the Listing Rules.

Having made specific enquiry to all the directors of the Company, they have complied with the required standards set out in the Model Code for the period ended 31 December 2009.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities for the period ended 31 December 2009.

By Order of the Board
Tse Kam Pang
Chairman

Hong Kong, 23 April 2010

As at the date of this announcement, the Board comprises four Executive Directors, namely, Mr. Tse Kam Pang, Mr. Ma Gary Ming Fai, Mr. Lam Toi and Mr. Zeng Lejin; three Independent Non-Executive Directors, namely, Dr. Donald H Straszheim, Mr. Chang Chu Fai Johnson Francis and Mr. Yau Chung Hong.