



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

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

Stock code : 396

Annual Report 2015



興利



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Independent non-executive Directors

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

COMPANY SECRETARY

Mr. Wong Kit Wai, FHKICPA, ACIS

AUTHORISED REPRESENTATIVES

Mr. Sung Kai Hing
Mr. Wong Kit Wai

PRINCIPAL BANKERS

Standard Chartered Bank (Hong Kong) Limited
China Construction Bank Corporation

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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

REGISTERED OFFICE

The Belvedere Building,
69 Pitts Bay Road,
Pembroke HM08,
Bermuda

LEGAL ADVISERS

Sit, Fung, Kwong & Shum
Guangdong LianRui Law Firm
Conyers Dill & Pearman

AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
Services Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

STOCK CODE

396

COMPANY WEBSITE

www.hingleehk.com.hk

Consolidated Statement of Profit or Loss

	2015 HK\$'000	Year ended 31 December			
		2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Turnover	485,281	607,081	677,297	604,595	633,008
Cost of sales	(374,102)	(469,491)	(550,767)	(505,790)	(486,786)
Gross profit	111,179	137,590	126,530	98,805	146,222
Other net income	10,412	5,066	4,364	5,407	6,733
Selling and distribution expenses	(52,437)	(55,331)	(66,995)	(85,741)	(62,203)
Administrative expenses	(49,355)	(49,504)	(52,650)	(50,987)	(39,678)
Profit/(loss) from operation	19,799	37,821	11,249	(32,516)	51,074
Finance costs	(3,479)	(4,511)	(4,670)	(4,513)	(2,437)
Profit/(loss) before taxation	16,320	33,310	6,579	(37,029)	48,637
Income tax	(129)	(1,895)	(825)	(1,677)	(2,914)
Profit/(loss) for the year	16,191	31,415	5,754	(38,706)	45,723
Attributable to:					
Equity shareholders of the Company	16,713	28,120	4,547	(40,520)	41,418
Non-controlling interests	(522)	3,295	1,207	1,814	4,305
Profit/(loss) for the year	16,191	31,415	5,754	(38,706)	45,723

Assets and Liabilities

	2015 HK\$'000	As at 31 December			
		2014 HK\$'000	2013 HK\$'000	2012 HK\$'000	2011 HK\$'000
Non-current assets	379,373	411,104	418,152	402,792	368,952
Current assets	260,939	343,982	351,039	322,402	367,676
Current liabilities	238,971	341,400	347,695	320,933	328,928
Net current assets	21,968	2,582	3,344	1,469	38,748
Total assets less current liabilities	401,341	413,686	421,496	404,261	407,700
Non-current liabilities	-	2,315	47,507	42,410	-
Net assets	401,341	411,371	373,989	361,851	407,700
Total equity attributable to equity shareholders of the Company	401,341	399,065	364,960	354,368	399,311



Chairman's Statement

Dear Shareholders,

On behalf of the Board of directors (the "Directors") of Hing Lee (HK) Holdings Limited (the "Company") (the "Board"), I am pleased to present the annual results of Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2015 ("Year 2015").

For Year 2015, China's economy entered a structural transformation period. The economy of China experienced a significant slowdown due to weak export demand and de-leveraging during the year. The global economy also recorded weaker-than-expected growth as a result of falling commodity prices and financial market volatility.

Overall business environment in mainland China where the Group operates remained challenging, the furniture industry continued to suffer from the imbalance of supply and demand, the Group responded to the challenges by furthering its foothold in innovation and taking advantage of its unique business philosophy to consolidate its market position in fierce competition, refining product structure, segmentation and the enrichment of product variety. In addition, the Group implemented prudent approach in inventory management strategy, resulting in leading to significant reduction of the inventory level which will allow the Group to maintain a healthy stock position to face the "New Normal" business environment in mainland China in 2016.

In light of urbanization and the increase in disposable income, as well as the escalating demand for high-end and individualized furniture, the Group will focus on brand building and product research and development as to pursue new business opportunities. Meanwhile, the Group continues to seek new collaboration partners and open more channels in order to widen its existing business lines.

I would like to express my deepest gratitude to the Board, management team and all staff for their hard work and dedication in the past year. I would also like to express my heartfelt appreciation to our shareholders, customers and business partners for their continuous support. I deeply believe that the Group will continue to utilize its competitive strengths and exert its brand influence to provide quality and a wider variety of furniture catering to market need, as to acquire a larger market share. Also, our team will work closely to reap maximum returns for shareholders in the long run.

Yours faithfully,

Chairman and Chief Executive Officer

Sung Kai Hing

BUSINESS REVIEW

In 2015, the global economy experienced an extreme volatility with substantial drop in crude oil and commodity prices, fierce fluctuation in the currency market and turmoil in the global stock markets.

In the domestic market, the market sentiment is low, the Group continued to re-assess its product ranges and the prices of its existing product mix, and has decided to drop some product lines which are not profitable, the Group put extra effort which resulted in reducing the inventory level significantly, allowing the Group to maintain a healthy stock position. In addition, the Group has launched new products that cater for the needs of its customers.

Many newly built home units were smaller in size, which continue to lead to a drop in demand for large size classical furniture. In response to the market changes, the Group has reallocated more production capacity to modern furniture, and will continue to review its production mix.

In the overseas markets, depreciation of foreign currencies in Asian countries led to unfavorable circumstances, the Group's export of mattress to Japan decreased substantially, the Group kept monitoring the progress of the mattress business. Thanks to the continuous efforts of all colleagues of the Group as well as the support from customers, the export sales in sofa and wooden furniture increased satisfactorily.

Cooperation Framework Agreement

In May 2015, the Group's wholly-owned subsidiary Hong Kong Hing Lee Furniture Group Limited and Linshi Muye ("佛山市阿里順林家具有限公司"), a leading e-commerce furniture company in China, have entered into a cooperation framework agreement (the "Cooperation Framework Agreement"), pursuant to which both companies agreed to establish a close cooperation relationship to enhance e-commerce business development and provide high quality furniture products and services to customers. The Group believes that the entering into of the Cooperation Framework Agreement will enable both parties to leverage on their respective strength, resources and expertise, which will be beneficial to the business development of both the Group and Linshi Muye. The Cooperation Framework Agreement will remain in effect till 31 December 2017.

Acquisition

During the year under review, the Group acquired an additional 40% equity stake in Astromax Investment Limited and hence its indirect wholly owned subsidiary 深圳歐羅家具有限公司 (Shenzhen Oulo Furniture Company Limited) (the "Target Group"), a sofa manufacturer. After completion of the acquisition in May 2015, the Target Group became wholly-owned by the Group. The acquisition would be beneficial to the Group as the Group can exert strong and consistent leadership in the development and execution of long term business strategies and enable the Group to further its share in the profit generated by the Target Group. In short run, the acquisition could increase the flexibility of the Group to adjust the product mix and marketing strategy and hence enhance the overall operational efficiency of the Target Group.

FINANCIAL REVIEW

Turnover

The Group's turnover decreased by approximately 20.1% from about HK\$607.1 million for the year ended 31 December 2014 to HK\$485.3 million for the year ended 31 December 2015. The decrease in turnover during the year was due to the decreases in domestic sales of 33.0%. The decrease in the domestic sales during the year was a result of the Group's strategy to drop some product lines that are not profitable. In addition, the domestic sales were affected by the low sentiment in the PRC and the depreciation of Renminbi especially in the second half of the year, which led to lower conversion to Hong Kong dollars, the functional currency of the Group.

Gross Profit

The Group's gross profit margin was 22.9% (31 December 2014: 22.7%). During the year under review, the Group increased price of our products, improved in the product mix and sold the discontinued product lines at competitive prices as a result, the gross profit margin remained stable.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK\$52.4 million for the year ended 31 December 2015, against about HK\$55.3 million for the year ended 31 December 2014. The decrease in selling and distribution expenses was a result of the stringent and effective control in promotional costs and the decrease in transportation costs as a result of the decrease in sales.

Administrative Expenses

For the year ended 31 December 2015, the Group's administrative expenses were approximately HK\$49.4 million against about HK\$49.5 million for the year ended 31 December 2014. Despite the general increase in costs in PRC, our administrative expenses remained relatively stable. This was mainly attributable to the reduction in headcount and stringent cost control policies implemented during the year under review.

Profit for the Year

Profit attributable to equity shareholders of the Company for the year ended 31 December 2015 was approximately HK\$16.7 million (2014: HK\$28.1 million).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2015, the Group employed approximately 1,450 employees (2014: approximately 1,700). Salaries are reviewed annually and discretionary bonuses are paid on annual basis with reference to individual performance appraisals, inflation and prevailing market conditions. Other benefits available to eligible employees include retirement benefits and medical insurance schemes. Share options may also be granted to eligible employees of the Group and other eligible participants.

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

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group maintained cash and bank balances of HK\$68.7 million as at 31 December 2015 (31 December 2014: HK\$67.6 million).

As at 31 December 2015, the Group had bank borrowings amounting to HK\$37.1 million (31 December 2014: HK\$67.4 million). As at the same date, the gearing ratio (total debt/total equity) was 0.6 (31 December 2014: 0.8).

As at 31 December 2015, the current ratio (current assets/current liabilities) was 1.1 (31 December 2014: 1.0) and the net current assets amounted to HK\$22.0 million (31 December 2014: HK\$2.6 million).

The ageing analysis of trade creditors and bills payable and the maturity profiles of bank borrowings are set out in the notes 20 and 21 to the consolidated financial statements of this annual report.

SEGMENT INFORMATION

Segment Information is set out in Note 11 to the consolidated financial statements of this annual report.

ENVIRONMENTAL POLICY

The Group's commitment to protect the environment is well reflected by its continuous efforts in promoting green measures and awareness in its daily business operations. The Group encourages environmental protection and promote awareness towards environmental protection to the employees. The Group adheres to the principle of Recycling and Reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting using recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

More importantly, the Group put substantiate effort in cleaner production. It has fulfilled the requirement and demonstrated a high commitment to cleaner production. As a result, it is certified by the Environment Bureau of The Government of the Hong Kong Special Administrative Region and The Economic & Information Commission of Guangdong Province as "Hong Kong – Guangdong Cleaner Production Partner (Manufacturing)".

The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to move towards adhering the 3Rs – Reduce, Recycle and Reuse and enhance environmental sustainability.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in mainland China while the Company is listed on the Stock Exchange. The Group's operations accordingly shall comply with relevant laws and regulations in mainland China and Hong Kong.

During the year ended 31 December 2015 and up to the date of this report, to the best of knowledge of the Company, the Group has complied with all the relevant laws and regulations in mainland China and Hong Kong which have a significant impact on the business and operations of the Group, and there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are its valuable assets. Thus the Group provides competitive remuneration package to attract and motivate the employees. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, the senior management of the group have kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the year 2015, there was no material and significant dispute between the Group and its business partners or bank enterprises.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. The list below is not exhaustive and there may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Market Risks

Market risk is the risk that deteriorates the Group's profitability or affects the Group's ability to meet business objectives and it is arising from the movement in market prices, like foreign exchange rates, interest rates and equity prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Foreign Currency Risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Hong Kong dollars, Renminbi and United States dollars. As most of the transactions are denominated and settled in the same currency, the Group's foreign currency risk is considered to be minimal by the Directors at the reporting date. The Group does not hold or issue material derivative financial instruments for

trading purposes or for hedging against fluctuations in foreign exchange rates, but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest Rate Risk

The Group's interest-rate risk arises from borrowings. All borrowings of the Group are at variable rates, which exposes the Group to cash flow interest-rate risk, the Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate, through variety of means.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The senior management of the Group identify and assess key operational exposures regularly so that appropriate risk response can be taken. However, accidents may happen despite systems and procedures set up for their prevention, which may lead to financial loss, litigation, or damage in reputation.

Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of the Group. The Group will provide attractive remuneration package to suitable candidates and personnel based on factors such as market rates, responsibility, job complexity as well as the Group's performance. The Group has also adopted share option scheme to recognize and reward the contribution of the employees to the growth and development of the Group.

Business Risk

Performance of our Group's core business will be affected by various factors, including but not limited to economic conditions, performance of property markets in regions where its customers locate, which would not be mitigated even with careful and prudent investment strategy and strict procedure.

CHARGE OF ASSETS

As at 31 December 2015, the Group had banking facilities which were 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) deed of charge over receivables of HK\$3 million; (iv) an assignment of export credit insurance corporation policies of HK\$5 million; (v) pledged bank deposits of approximately HK\$12 million.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year under review, the Group acquired an additional 40% equity stake in Astromax Investment Limited for a total consideration of HK\$33.0 million, details of which was disclosed in the announcement dated 26 May 2015.

Apart from the aforesaid, the Group did not have any significant investments, acquisitions or disposal of subsidiaries and associated companies during the year under review.

CONTINGENT LIABILITIES

As at 31 December 2015, the Group had no significant contingent liabilities.

PROSPECTS

Amid the economy slowdown and disrupted domestic demand, Year 2016 will still be a challenging year for furniture industry with regard to the operating environment.

We expect Year 2016 is going to be another challenging year with growth of Chinese economy expected to continue to ease. Nevertheless, the market is fast-changing. The Group will continue to advance its business structure and adopt effective cost-control measures to improve gross profit margin persistently in the dynamic market. We continue to believe our business model is suitable. In Year 2016, the Group will continue to introduce innovative business ideas, focus on personnel training and technological innovation and undergo transformation according to the market trend, with a view to acquiring greater market share and create maximum returns to shareholders.

CORPORATE GOVERNANCE

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

Save as disclosed below, the Company complied with the code provisions of the Corporate Governance Code (the “CG Code”) and Corporate Governance Report set out in Appendix 14 to the Rules Governing the Listing of Securities (the “Listing Rules”) on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) during the financial year. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

Code provision A.2.1

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

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

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



Corporate Governance Report

BOARD OF DIRECTORS

Composition of the Board

The Board members of the Company currently are:

Executive directors:

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

Mr. Cheung Kong Cheung

Independent non-executive directors:

Mr. Sun Jian

Ms. Shao Hanqing

Mr. Kong Hing Ki

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 25 in this Annual Report.

The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group. Upon reviewing (i) the directorships and major commitments of each Director; and (ii) the attendance rate of each Director at the meetings of the Board and its committees, the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during 2015.

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

Functions of the Board

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

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

The Board is also responsible for performing the functions set out in code provision D.3.1 of the CG Code. The Board will meet to develop, review and monitor the Company's corporate governance policies and practices, to review and monitor training and continuous professional development of Directors and senior management, to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors and to review the Company's compliance with the CG Code and the disclosure in the corporate governance report.

During the year of 2015, in relation to the corporate governance functions, the Board has reviewed the Company's compliance with the CG Code and the regulatory and statutory requirements, and the disclosure in the corporate governance report.

BOARD DIVERSITY POLICY

Pursuant to the CG Code, the Board has adopted a board diversity policy effective on 16 May 2014. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 5 Directors. Among which, one of them is a woman and three of them are independent non-executive Directors. The Directors are of diverse educational background and possess a wide spectrum of professional qualifications and business experience. The Board is of significant diversity, whether considered in terms of gender, professional and educational background and skills.

BOARD MEETINGS AND PROCEDURES

The Board met four times during the year ended 31 December 2015. The attendance record of each Director at these regular board meetings is set out in the following table:

Directors	Board Meetings	
	Held	Attended
Mr. Sung Kai Hing	4	4
Mr. Cheung Kong Cheung	4	4
Mr. Sun Jian	4	4
Ms. Shao Hanqing	4	4
Mr. Kong Hing Ki	4	4

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

The non-executive Director and all independent non-executive Directors have been appointed for a fixed term as disclosed in the sub-section "Directors" in the section headed "Directors' Report" in this annual report. Every Director is subject to re-election on retirement by rotation in accordance with the bye-laws of the Company.

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

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors are committed to complying with code provision A.6.5 of the CG Code which came into effect on April 1, 2012 on requirements of Directors' training. All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended December 31, 2015 to the Company.

According to the records provided by the Directors, the training received by each of the Directors during the financial year ended 31 December 2015 is summarized as follows:

Directors	Type of continuous professional development training
<i>Executive Directors</i>	
Sung Kai Hing	A,B
Cheung Kong Cheung	A,B
<i>Independent Non-Executive Directors</i>	
Sun Jian	A,B
Shao Hanqing	A,B
Kong Hing Ki	A,B

Notes:

A: Attending seminar(s) or training session(s)

B: Reading newspapers, journals and updates relating to the Company's business or directors' duties and responsibilities, the latest development of the Listing Rules and other applicable regulatory requirements etc.

BOARD COMMITTEES

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

AUDIT COMMITTEE

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

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

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

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

REMUNERATION COMMITTEE

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

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

One meeting was held during the year ended 31 December 2015 to review the remuneration and incentive package of the senior management. Attendance of the members is set out below:

Directors

Meetings of the Remuneration Committee

	Held	Attended
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Mr. Sun Jian	1	1
Ms. Shao Hanqing	1	1
Mr. Kong Hing Ki	1	1

Details of the remuneration of each Director for 2015 are set out in the Note 8 to the consolidated financial statements in this annual report.

The biographies of members of the senior management team at the date of this annual report are disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report. Remuneration payable to senior management (excluding Directors) for the year ended 31 December 2015 is within the following bands:

Number of individuals

	2015	2014
--	------	------

Nil – HK\$1,000,000	3	4
HK\$1,000,001 – HK\$1,500,000	2	2
HK\$1,500,001 – HK\$2,000,000	–	1

In addition, the Company has adopted a share option scheme (the "Share Option Scheme") on 29 May 2009. The purpose of the Share Option Scheme is to enable the Company to grant option to eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward and remunerate the eligible participants.

NOMINATION COMMITTEE

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

The main duty of the Committee is (i) to review and monitor the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company's corporate strategy; (ii) to identify and nominate qualified individuals for appointment as additional Directors or to fill Board vacancies as and when they arise; (iii) to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer; (iv) to assess the independence of Independent Non-Executive Directors; and (v) to report back to the Board on decisions or recommendations made, unless there are legal or regulatory restrictions to do so.

The Committee discharges its responsibilities by reference to the terms of reference which set out their roles, responsibilities and duties. The terms of reference were duly authorized by the Board.

In Year 2015, the Committee had reviewed and discussed the following issues at its meeting:

1. to review the composition and structure of Board of Directors of the Company.
2. to review the scope of responsibilities of directors of the Company.
3. to review and confirm the independence of all the Independent Non-executive Directors.

In carrying out the responsibility for identifying suitably qualified candidates to become members of the Board, the Nomination Committee will give adequate consideration to the board diversity policy.



Corporate Governance Report

One meeting was held during the year ended 31 December 2015 for reviewing the structure, size and composition of the Board. Attendance of the members is set out below:

Directors	Meetings of the Nomination Committee	
	Held	Attended
Ms. Shao Hanqing	1	1
Mr. Sung Kai Hing	1	1
Mr. Cheung Kong Cheung	1	1
Mr. Sun Jian	1	1
Mr. Kong Hing Ki	1	1

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Accounts

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

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

EXTERNAL AUDITORS' REMUNERATION

The Company engaged Baker Tilly Hong Kong Limited ("Baker Tilly") as its external auditors for year ended 31 December 2015. For the year ended 31 December 2015, remuneration payable to the Company's auditor, Baker Tilly, for the provision of audit services was HK\$968,000. During the year, there was no payable as remuneration to Baker Tilly for the provision of non-audit related services.

INTERNAL CONTROLS

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

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

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

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

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

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as the chairman of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders' meetings.

The Company held one general meeting, being the annual general meeting, in 2015. The attendance record of the Directors at such meeting is set out below:

Directors	Attendance
<i>Executive Directors</i>	
Sung Kai Hing	1
Cheung Kong Cheung	1
<i>Independent Non-Executive Directors</i>	
Sun Jian	1
Shao Hanqing	1
Kong Hing Ki	1

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



Corporate Governance Report

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

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

SHAREHOLDERS' RIGHTS

(a) Right to convene special general meeting

Pursuant to the bye-laws of the Company, members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposited at the registered office of the Company and at the Company's head office and principal place of business in Hong Kong at Unit 1101, 11th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong, and such request may consist of several documents in like form, each signed by one or more of the requisitionist(s).

The request will be verified with the Company's branch share registrar in Hong Kong and upon the confirmation of the branch share registrar that the request is in order, the company secretary of the Company will ask the Board to convene a special general meeting by serving sufficient notice in accordance with all relevant statutory and regulatory requirements to all registered members. On the contrary, if the request is verified as not in order, the requisitionist(s) will be advised of this outcome and accordingly, a special general meeting will not be convened as requested.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves do so in accordance with the provisions of section 74(3) of the Companies Act 1981 of Bermuda.

(b) Right to put forward proposals at general meetings

Pursuant to the Companies Act 1981 of Bermuda, either any number of the registered shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company (“Requisitionists”), or not less than 100 of such registered shareholders, can request the Company in writing to (a) give to Shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists must be deposited at the registered office of the Company and the Company’s head office and principal place of business in Hong Kong with a sum reasonably sufficient to meet the Company’s relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if, after a copy of the requisition notice of a resolution has been deposited at the registered office of the Company, an annual general meeting is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

As regard the procedures for proposing a person for election as a Director, please refer to the procedures made available on the website of the Company at www.hingleehk.com.hk.

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

All resolutions put forward at a shareholders’ meeting will be taken by poll pursuant to the Listing Rules save that the chairman of the shareholders’ meeting may in good faith allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the shareholders’ meeting will explain detailed procedures for conducting a poll answer any questions from shareholder regarding voting by way of poll. The poll results will be posted on the websites of the Stock Exchange and the Company after the shareholders’ meeting.



Corporate Governance Report

COMPANY SECRETARY

Mr. Wong Kit Wai is an employee of the Company and was appointed as the company secretary of the Company in May 2009. The biographical details of Mr. Wong are set out in the section headed "Biographical Details of Directors and Senior Management".

According to Rule 3.29 of the Listing Rules, Mr. Wong has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2015.

CONSTITUTIONAL DOCUMENTS

There are no changes in the Company's constitutional documents during the year.

PUBLICATION OF AUDITED FINANCIAL RESULTS

The Company's financial results announcement for the financial year ended 31 December 2015 and this Annual Report are published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.hingleehk.com.hk.

Biographical Details of Directors and Senior Management

DIRECTORS AND SENIOR MANAGEMENT

Executive Director

Mr. Sung Kai Hing (宋啟慶先生), aged 59, is an Executive Director, the Chairman and the Chief Executive Officer of the Company and one of the founders of the Group and he has over 20 years of experience in the furniture industry. Mr. Sung was appointed as a Director on 20 April 2004. He is primarily responsible for the overall strategic planning and business development of the Group as well as overseeing the daily operations of the Group. Besides, he is also a director of certain subsidiaries of the Company and a member of the Nomination Committee.

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

Mr. Cheung Kong Cheung (張港璋先生), aged 54, is an Executive Director and one of the founders of the Group and he has over 20 years of experience in the furniture industry. Mr. Cheung was appointed as a Director on 20 April 2004. He is responsible for the administration and human resources management, as well as upholstered furniture business of the Group. Besides, he is also a director of certain subsidiaries of the Company and a member of the Nomination Committee. He has been appointed as a part-time instructor with specialisation in international trade and trading of home furniture at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as 中南林學院 (Central South Forestry University)) since June 2004 and November 2004 respectively.

Independent Non-executive Director

Mr. Sun Jian (孫堅先生), aged 51, was appointed as an Independent Non-Executive Director on 1 July 2007. He is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. He has over 16 years of experience in retail businesses and is a director and the chief executive officer of Home Inns & Hotel Management, Inc., a company which is principally engaged in the hotel industry with its shares listed on the National Association of Securities Dealers Automated Quotation System in the U.S.. Mr. Sun obtained a bachelor's degree in hygiene management from 上海醫科大學 (Shanghai Medical University) (subsequently renamed as 復旦大學上海醫學院 (Shanghai Medical College of Fudan University)) in July 1987. He is the vice president of 中國連鎖經營協會 (China Chain Store & Franchise Association).

Ms. Shao Hanqing (邵漢青女士), aged 78, was appointed as an Independent Non-Executive Director on 29 May 2009. She is also the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. She is a part-time professor and a mentor to the doctorate candidates of the economics faculty of 中國人民大學 (Renmin University of China). Ms. Shao was a vice-chairlady of 中國人民政治協商會議廣東省深圳市委員會 (Shenzhen Committee of Chinese People's Political Consultative Conference) from April 1997 to May 2000 and was elected as a fellow in the World Academy of Productivity Science by World Confederation of Productivity Science in 2006. Ms. Shao was an independent director of 方大集團股份有限公司 (China Fangda Group Co., Ltd.), a company listed on 深圳證券交易所 (the Shenzhen Stock Exchange) from 2001 to 2014. Ms. Shao obtained a bachelor's degree of national economic planning from 中國人民大學 (Renmin University of China) in 1964.

Mr. Kong Hing Ki (江興琪先生), aged 45, was appointed as an Independent Non-Executive Director on 29 May 2009. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. He has over 19 years of experience in accounting, auditing and finance, gained from international accountancy and commercial firms. He is an independent non-executive director of KEE Holdings Company Limited (stock code: 2011) from November 2010 to February 2016, and also an independent non-executive director of RENHENG Enterprise Holdings Limited (stock code: 3628), both companies' shares are listed on the Main Board of the Stock Exchange. Mr. Kong holds a bachelor's degree of commerce from Australian National University and a master of business administration degree from Deakin University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

SENIOR MANAGEMENT

Mr. Huang Wei Ye (黃偉業先生), aged 61, is one of the founders of the Group. He joined the Group in 1995 and is the head of the Group's design and development department, as well as the production department, and is responsible for overseeing the design, development and manufacture of the Group's furniture products. He is also a director of certain subsidiaries of the Company. Mr. Huang has over 25 years of experience in the furniture industry. Mr. Huang is currently the Chairman of Shenzhen Furniture Trade Association. Mr. Huang has been appointed as a part-time instructor with specialisation in product design, production strategies and industry trend analysis at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as 中南林學院 (Central South Forestry University)) since 2003. He obtained a master of business administration degree from 北京大學 (Peking University) in July 2007.

Mr. Chan Kwok Kin (陳國堅先生), aged 58, is one of the founders of the Group. Being the head of the sales and marketing department, as well as the procurement department of the Group, he is responsible for formulating the Group's sales and marketing strategies and procurement policies and overseeing the Group's sales and marketing activities. He is also a director of certain subsidiaries of the Company. Mr. Chan has over 20 years of experience in the furniture industry. He was appointed as a part-time instructor with specialisation in sales and marketing strategies and brand development at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as 中南林學院 (Central South Forestry University)) since 2004.

Biographical Details of Directors and Senior Management

Mr. Wu Guo Long (吳國龍先生), aged 41, is the vice design and development manager of the Group. Since January 2008, he has been appointed as the general manager of Shenzhen Xingli Furniture Company Limited ("Shenzhen Xingli"). Mr. Wu joined the Group in 1996 after graduation from the university and has over 15 years of experience in the furniture industry. He obtained a bachelor's degree in interior and furniture design in 1996 from 中南林學院 (Central South Forestry University) (subsequently renamed as 中南林業科技大學 (Central South University of Forestry and Technology) in 2005).

Mr. Tao Limin (陶利民先生), aged 36, is the production manager of the Group and the head of the production department of the Group's factories in the PRC. He is responsible for overseeing the production operations at all the Group's factories in the PRC. Mr. Tao has extensive experience in furniture industry. He obtained a diploma in wood science and engineering in 2004 from 中南林學院 (Central South University of Forestry and Technology) (subsequently renamed as 中南林業科技大學 (Central South University of Forestry and Technology) in 2005). Mr. Tao joined the Group in 2010.

Mr. Pu Cai Jun (蒲采君先生), aged 53, is the financial controller of the PRC Operation. He is responsible for all financial and accounting matters in respect of the PRC subsidiaries of the Group. Mr. Pu joined the Group in 2002 and has over 16 years of experience in financial controlling. He was the finance manager of Dahao Furniture during the period from 1985 to 2002. He obtained a bachelor's degree in accounting from 湖南財經學院 (Hunan Finance and Economics Institute) in July 1991.

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Wong Kit Wai (黃杰偉先生), aged 46, is the chief financial officer and the company secretary of the Group. He is responsible for supervising the Group's financial management and overseeing the company secretarial and compliance affairs of the Group. Mr. Wong joined the Group in January 2007 and has over 15 years of experience in accounting and finance. He obtained a master of business administration degree from Deakin University, Australia and a bachelor of commerce degree from The University of New South Wales. He is a fellow member of Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Besides, Mr. Wong is an associate member of the Hong Kong Institute of Chartered Secretaries and an associate member of The Institute of Chartered Secretaries and Administrators, the United Kingdom.



Directors' Report

The Board has pleasure in submitting their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2015.

GENERAL INFORMATION

The Company was incorporated in the British Virgin Islands ("BVI") on 20 April 2004 and was re-domiciled and continued in Bermuda with limited liability on 30 March 2007. The registered office address is The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.

PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture, sofa, mattresses and licensing of its own brands and product designs. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group and indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 5 to 10 of this Annual Report. This discussion forms part of this directors' report.

RESULTS

The results of the Group for the year ended 31 December 2015 are set out in the consolidated statement of profit or loss on page 38 of this annual report.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2015 (2014: HK0.56 cents per share).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2015 are set out in Note 12 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the Company's paid up capital for the year ended 31 December 2015 are set out in Note 26 to the consolidated financial statements in this annual report.

SHARE OPTION SCHEME

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

Details of the principal terms of the Share Option Scheme are set out in the Prospectus. Certain principal terms of the Share Option Scheme are summarized as follows and in Note 25 to the consolidated financial statement in this annual report:

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

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

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not, in aggregate, exceed 10% of the issued share capital of the Company as at the Share Option refreshment date on 15 May 2015, such 10% being equivalent to 74,649,602 Shares. As at the date of this report, options for the subscription of 36,649,602 Shares (representing approximately 4.65% of the issued share capital of the Company) are available for issue under the Share Option Scheme. In addition, if any options subsequently lapsed in accordance with the terms of the Share Option Scheme, such options will not be counted for the purpose of calculating the said 10% limit.



Directors' Report

Options for the subscription of 91,100,000 Shares have been granted to certain Directors and employees of the Group under the Share Option Scheme. Details of the share options movements during the year ended 31 December 2015 under the Share Option Scheme are as follows:

Name	Outstanding share options granted under the Share Option Scheme as at 1 January 2015	Date of grant	Number of share options			Outstanding share options granted under the Share Option Scheme as at 31 December 2015	Exercise period
			Granted during the period	Exercised during the period	Cancelled/Lapsed during the period		
Directors of the Company							
Mr. Sung Kai Hing	3,600,000	2 April 2014 ^①	-	3,600,000	-	-	3/4/2015 - 31/12/2016
Mr. Cheung Kong Cheung	3,600,000	2 April 2014 ^①	-	3,600,000	-	-	3/4/2015 - 31/12/2016
Mr. Sun Jian	2,000,000	2 April 2014 ^①	-	-	-	2,000,000	3/4/2015 - 31/12/2016
Other participants							
In aggregate	20,700,000	2 April 2014 ^①	-	3,600,000	-	17,100,000	3/4/2014 - 31/12/2016
	10,800,000	2 April 2014 ^①	-	10,800,000	-	-	3/4/2015 - 31/12/2016
	30,000,000	10 June 2014 ^②	-	-	-	30,000,000	11/6/2014 - 31/12/2016
	30,000,000	10 June 2014 ^②	-	-	-	30,000,000	11/6/2015 - 31/12/2016
	6,000,000	19 June 2014 ^③	-	-	-	6,000,000	20/6/2014 - 31/12/2016
	6,000,000	19 June 2014 ^③	-	-	-	6,000,000	20/6/2015 - 31/12/2016
	-	28 May 2015 ^{④⑥}	10,000,000	-	10,000,000	-	31/12/2015 - 31/12/2017
	-	28 May 2015 ^{④⑥}	10,000,000	-	10,000,000	-	1/6/2016 - 31/12/2017
	-	9 June 2015 ^{⑤⑥}	21,500,000	-	21,500,000	-	31/12/2015 - 31/12/2017
	-	9 June 2015 ^{⑤⑥}	21,500,000	-	21,500,000	-	31/3/2016 - 31/12/2017
	-	4 September 2015 ^⑦	38,000,000	38,000,000	-	-	4/9/2015 - 31/12/2017
Total	<u>112,700,000</u>		<u>38,000,000</u>	<u>59,600,000</u>	<u>63,000,000</u>	<u>91,100,000</u>	

Notes:

- ① The exercise price of the options granted on 2 April 2014 under the Share Option Scheme as set out above is HK\$0.403 (adjusted) per Share. The closing price of the Shares immediately before the date of grant of such options was HK\$0.403 (adjusted) per Share. The number of share options was adjusted from 20,000,000 Shares to 60,000,000 Shares and the exercise price of the share options was adjusted from HK\$1.21 per Share to HK\$0.403 per Share as a result of the bonus issue completed on 28 October 2014.
- ② The exercise price of the options granted on 10 June 2014 under the Share Option Scheme as set out above is HK\$0.431 (adjusted) per Share. The closing price of the Shares immediately before the date of grant of such options was HK\$0.430 (adjusted) per Share. The number of share options was adjusted from 20,000,000 Shares to 60,000,000 Shares and the exercise price of the share options was adjusted from HK\$1.292 per Share to HK\$0.431 per Share as a result of the bonus issue completed on 28 October 2014.
- ③ The exercise price of the options granted on 19 June 2014 under the Share Option Scheme as set out above is HK\$0.490 (adjusted) per Share. The closing price of the Shares immediately before the date of grant of such options was HK\$0.477 (adjusted) per Share. The number of share options was adjusted from 4,000,000 Shares to 12,000,000 Shares and the exercise price of the share options was adjusted from HK\$1.47 per Share to HK\$0.490 per Share as a result of the bonus issue completed on 28 October 2014.
- ④ The exercise price of the options granted on 28 May 2015 under the Share Option Scheme as set out above is HK\$0.58 per Share. The closing price of the Shares immediately before the date of grant of such options was HK\$0.58 per Share.
- ⑤ The exercise price of the options granted on 9 June 2015 under the Share Option Scheme as set out above is HK\$0.662 per Share. The closing price of the Shares immediately before the date of grant of such options was HK\$0.65 per Share.
- ⑥ The 63,000,000 options granted on 28 May 2015 and 9 June 2015 under the Share Option Scheme were cancelled on 21 August 2015.
- ⑦ The exercise price of the options granted on 4 September 2015 under the Share Option Scheme as set out above is HK\$0.31 per Share. The closing price of the Shares immediately before the date of grant of such options was HK\$0.31 per Share.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" above, no equity-linked agreements were entered into by the Group, or existed during the Year.

PRE-EMPTIVE RIGHTS

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

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

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

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in Note 33(b) to the financial statements and the consolidated statement of change in equity in this annual report respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2015, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda, amounted to HK\$263 million.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 33.5% of the total sales for Year 2015 and sales to the largest customer included therein amounted to 14.9%. Purchases from the Group's five largest suppliers accounted for approximately 29.9% of the total purchase for Year 2015 and purchase from the Group's largest supplier included therein amounted to 11.0%.

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



Directors' Report

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the Year.

DIRECTORS

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

Executive directors:

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

Mr. Cheung Kong Cheung (appointed on 20 April 2004)

Independent non-executive directors:

Mr. Sun Jian (appointed on 1 July 2007)

Ms. Shao Hanqing (appointed on 29 May 2009)

Mr. Kong Hing Ki (appointed on 29 May 2009)

Pursuant to bye-law 84(1) of the bye-laws of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation. provided that every director shall be subject to retirement at least once every three years.

By virtue of bye-law 84(1) of the bye-laws of the Company, the office of certain Directors, namely Mr. Sung Kai Hing and Mr. Kong Hing Ki will end at the forthcoming annual general meeting. All of the above Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 22 June 2015, which will continue until terminated by not less than three months' prior notice in writing served by either party on the other.

Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a period of two years commencing from 22 June 2015.

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

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

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 23 to 25 in this annual report.

INTERESTS OF DIRECTORS IN CONTRACTS

During the year ended 31 December 2015, none of the Directors had a material interest, whether directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries or affiliates was a party.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to which the Company or any of its subsidiaries, parent companies or fellow subsidiaries was a party, and in which any Director of the Company had a material interest, subsisted at the end of the Year or at any time during the Year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

PERMITTED INDEMNITY PROVISION

The Group has taken out and maintained directors' liability insurance throughout the Year, which provides appropriate cover for legal actions brought against the Directors and directors of the subsidiaries of the Group. The level of the coverage is reviewed annually.

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

As at 31 December 2015, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be entered into the register required to be kept under section 352 of the SFO or otherwise were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and/or the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:

(i) Long positions in the Shares of HK\$0.01 each

Name of Director/ chief executive	Nature of interests	Number of Shares	Approximate percentage of the issued share capital of the Company
Mr. Sung Kai Hing (note 1)	Beneficial owner and Interest of a controlled corporation	266,106,777	33.01%
Mr. Cheung Kong Cheung (note 2)	Beneficial owner and Interest of a controlled corporation	62,040,465	7.70%
Mr. Kong Hing Ki	Beneficial owner	900,000	0.11%

Notes:

- The 7,200,000 Shares were held by Mr. Sung Kai Hing and 258,906,777 Shares were held by King Right Holdings Limited ("King Right"), a company beneficially wholly-owned by Mr. Sung Kai Hing, who is also the sole director of King Right. By virtue of the SFO, Mr. Sung Kai Hing is deemed to be interested in the same parcel of Shares in which King Right is interested.
- The 7,200,000 Shares were held by Mr. Cheung Kong Cheung, 54,840,465 Shares were held by United Sino Limited ("United Sino"), a company beneficially wholly-owned by Mr. Cheung Kong Cheung, who is also the sole director of United Sino. By virtue of the SFO, Mr. Cheung Kong Cheung is deemed to be interested in the same parcel of Shares in which United Sino is interested.

(ii) Rights to acquire shares or debentures

As at 31 December 2015, details of the share options granted by the Company to the Directors were as follows:

Name of Director	Date of grant	Exercise price (Adjusted)	Exercise period	Outstanding as at 31 December 2015
Mr. Sun Jian	2 April 2014	HK\$0.403	3 April 2014 to 31 December 2016	2,000,000
				2,000,000

Note: The number of share options and the exercise price of the share options were adjusted as a result of the Bonus Issue.

Save as disclosed above, as at 31 December 2015, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares and debentures of the Company and its associate corporations (within the meaning of Part XV of the SFO), which were required to be entered into the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2015, the persons (not being a Director or chief executive of the Company) who have interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares of HK\$0.01 each

Name	Capacity	Number of Shares	Approximate percentage of shareholding %	Note
King Right Holdings Limited ("King Right")	Beneficial owner	258,906,777	32.12	1
Ms. Wong Wai King	Family interests	266,106,777	33.01	1
United Sino Limited ("United Sino")	Beneficial owner	54,840,465	6.80	2
Ms. Li Xin	Family interests	62,040,465	7.70	2
Golden Sunday Limited ("Golden Sunday")	Beneficial owner	54,840,465	6.80	3
Mr. Chan Kwok Kin	Beneficial owner and Interest of a controlled corporation	62,040,465	7.70	3
Ms. Ho Fung Ying	Family interests	62,040,465	7.70	3
Top Right Trading Limited ("Top Right")	Beneficial owner	51,586,293	6.40	4
Mr. Huang Wei Ye	Beneficial owner and Interest of a controlled corporation	58,786,293	7.29	4
Ms. Ye Jian Qun	Family interests	58,786,293	7.29	4

Notes:

1. King Right is a company beneficially wholly-owned by Mr. Sung Kai Hing, who is also the sole director of King Right. Ms. Wong Wai King is the spouse of Mr. Sung Kai Hing and is deemed to be interested in the same parcel of Shares in which Mr. Sung Kai Hing is interested by virtue of the SFO.
2. United Sino is a company beneficially wholly-owned by Mr. Cheung Kong Cheung, who is also the sole director of United Sino. Ms. Li Xin is the spouse of Mr. Cheung Kong Cheung and is deemed to be interested in the same parcel of Shares in which Mr. Cheung is interested by virtue of the SFO.
3. Golden Sunday is a company beneficially wholly-owned by Mr. Chan Kwok Kin. By virtue of the SFO, Mr. Chan is deemed to be interested in the same parcel of Shares in which Golden Sunday is interested. Ms. Ho Fung Ying is the spouse of Mr. Chan and is deemed to be interested in the same parcel of Shares in which Mr. Chan is interested by virtue of the SFO.
4. Top Right is a company beneficially wholly-owned by Mr. Huang Wei Ye. By virtue of the SFO, Mr. Huang Wei Ye is deemed to be interested in the same parcel of Shares in which Top Right is interested. Ms. Ye Jian Qun is the spouse of Mr. Huang Wei Ye and is deemed to be interested in the same parcel of Shares in which Mr. Huang is interested by virtue of the SFO.

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

Bonus Issue

By a special resolution dated 15 October 2014, the Company approved the bonus issue of the Shares on the basis of two (2) bonus Shares for every existing Share of HK\$0.01 each. The issued share capital of the Company therefore increased from 242,398,675 Shares of HK\$0.01 each to 746,496,025 Shares of HK\$0.01 each accordingly.

Events after the reporting period

There are no significant events subsequent to 31 December 2015 which would materially affect the Group's and the Company's operating and financial performance as of the date of this annual report.

Corporate Governance

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 11 to 22 of this annual report.

Sufficiency of Public Float

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

AUDITORS

The consolidated financial statements of the Group for the years ended 31 December 2013, 2014 and 2015 were audited by Baker Tilly Hong Kong Limited ("Baker Tilly").

Baker Tilly will hold office until the conclusion of the forthcoming annual general meeting. Baker Tilly, being eligible, will offer themselves for reappointment. A resolution for reappointment of Baker Tilly as auditors of the Company is to be proposed at the forthcoming annual general meeting.

APPRECIATION

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

By Order of the Board of

Hing Lee (HK) Holdings Limited

Sung Kai Hing

Chairman and Chief Executive Officer

Hong Kong, 24 March 2016



BAKER TILLY

HONG KONG | 天職香港

**Independent auditor's report to the shareholders of
Hing Lee (HK) Holdings Limited**

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

We have audited the consolidated financial statements of Hing Lee (HK) Holdings Limited (the "Company") and its subsidiaries (together the "Group") set out on pages 38 to 110, which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 24 March 2016

Lo Wing See

Practising certificate number PO4607



Consolidated statement of profit or loss

for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 HK\$'000	2014 HK\$'000
Turnover	4	485,281	607,081
Cost of sales		(374,102)	(469,491)
Gross profit		111,179	137,590
Other net income	5	10,412	5,066
Selling and distribution expenses		(52,437)	(55,331)
Administrative expenses		(49,355)	(49,504)
Profit from operation		19,799	37,821
Finance costs	6(a)	(3,479)	(4,511)
Profit before taxation	6	16,320	33,310
Income tax	7	(129)	(1,895)
Profit for the year		16,191	31,415
Attributable to:			
Equity shareholders of the Company		16,713	28,120
Non-controlling interests		(522)	3,295
		16,191	31,415
		HK cents	HK cents
Earnings per share	10		
– Basic		2.20	3.85
– Diluted		2.16	3.81

The notes on pages 45 to 110 form part of the consolidated financial statements.

Consolidated statement of profit or loss and other comprehensive income



for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	2015	2014
	HK\$'000	HK\$'000
Profit for the year	16,191	31,415
Other comprehensive loss for the year		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	(12,228)	(644)
Loss on fair value changes of available-for-sale investments, net of nil tax	(10)	(9)
	(12,238)	(653)
Total comprehensive income for the year	3,953	30,762
Attributable to:		
Equity shareholders of the Company	4,477	27,485
Non-controlling interests	(524)	3,277
	3,953	30,762

The notes on pages 45 to 110 form part of the consolidated financial statements.



Consolidated statement of financial position

as at 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment	12	283,345	311,203
Prepaid lease payments	13	43,851	47,717
Goodwill	14	52,120	52,120
Available-for-sale investments	15	57	64
		379,373	411,104
Current assets			
Prepaid lease payments	13	1,083	1,150
Inventories	16	71,869	119,403
Trade and other receivables	17	107,007	123,037
Derivative financial instruments	18	81	114
Current tax recoverable	23(a)	10	253
Pledged bank deposits	19	12,227	32,407
Cash and cash equivalents	19	68,662	67,618
		260,939	343,982
Current liabilities			
Trade and other payables	20	201,654	274,328
Current portion of bank borrowings	21	37,067	65,269
Current taxation	23(a)	250	1,803
		238,971	341,400
Net current assets		21,968	2,582
Total assets less current liabilities		401,341	413,686
Non-current liabilities			
Non-current portion of bank borrowings	21	-	2,155
Provision for long service payments	22	-	160
		-	2,315
NET ASSETS		401,341	411,371

Consolidated statement of financial position

as at 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 HK\$'000	2014 HK\$'000
CAPITAL AND RESERVES	26(a)		
Share capital		8,061	7,465
Reserves		393,280	391,600
Total equity attributable to equity shareholders of the Company		401,341	399,065
Non-controlling interests		-	12,306
TOTAL EQUITY		401,341	411,371

Approved and authorised for issue by the board of directors on 24 March 2016.

Sung Kai Hing

Director

Cheung Kong Cheung

Director

The notes on pages 45 to 110 form part of the consolidated financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Attributable to equity shareholders of the Company											Non-controlling interests	Total equity
	Share capital	Share premium	Exchange reserve	Statutory reserve fund	Merger reserve	Share option reserve	Fair value reserve	Capital reserve	Retained profits	Total			
	<i>(note 26(a))</i>	<i>(note 26(c)(ii))</i>	<i>(note 26(c)(iii))</i>	<i>(note 26(c)(iii))</i>	<i>(note 26(c)(iv))</i>	<i>(note 26(c)(v))</i>	<i>(note 26(c)(vi))</i>	<i>(note 26(c)(vii))</i>					
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2014		2,424	141,505	46,246	9,869	25,430	5,152	15	(6,486)	140,805	364,960	9,029	373,989
Changes in equity for 2014:													
Profit for the year		-	-	-	-	-	-	-	-	28,120	28,120	3,295	31,415
Other comprehensive loss		-	-	(626)	-	-	-	(9)	-	-	(635)	(18)	(653)
Total comprehensive income for the year		-	-	(626)	-	-	-	(9)	-	28,120	27,485	3,277	30,762
Equity-settled share-based payment transactions	25	-	-	-	-	-	9,750	-	-	-	9,750	-	9,750
Dividends approved in respect of current year	26(b)	-	-	-	-	-	-	-	-	(10,908)	(10,908)	-	(10,908)
Issues of bonus shares	26(a)(iii)	4,848	(4,848)	-	-	-	-	-	-	-	-	-	-
Shares issued under share option scheme	26(a)(iv)												
- gross proceeds		193	7,585	-	-	-	-	-	-	-	7,778	-	7,778
- transfer from share option reserve		-	1,503	-	-	-	(1,503)	-	-	-	-	-	-
Transfer on lapse of share options		-	-	-	-	-	(5,152)	-	-	5,152	-	-	-
Appropriation of reserve		-	-	-	707	-	-	-	-	(707)	-	-	-
Balance at 31 December 2014 and 1 January 2015		7,465	145,745	45,620	10,576	25,430	8,247	6	(6,486)	162,462	399,065	12,306	411,371
Changes in equity for 2015:													
Profit for the year		-	-	-	-	-	-	-	-	16,713	16,713	(522)	16,191
Other comprehensive loss		-	-	(12,226)	-	-	-	(10)	-	-	(12,236)	(2)	(12,238)
Total comprehensive income for the year		-	-	(12,226)	-	-	-	(10)	-	16,713	4,477	(524)	3,953
Equity-settled share-based payment transactions	25	-	-	-	-	-	9,966	-	-	-	9,966	-	9,966
Dividends approved in respect of													
- previous year	26(b)	-	-	-	-	-	-	-	-	(4,180)	(4,180)	-	(4,180)
- current year	26(b)	-	-	-	-	-	-	-	-	(3,610)	(3,610)	-	(3,610)
Acquisition of non-controlling interests	27	-	-	-	-	-	-	-	(24,862)	-	(24,862)	(8,138)	(33,000)
Shares issued under share option scheme	26(a)(iv)												
- gross proceeds		596	19,889	-	-	-	-	-	-	-	20,485	-	20,485
- transfer from share option reserve		-	9,750	-	-	-	(9,750)	-	-	-	-	-	-
Dividend paid to non-controlling interests		-	-	-	-	-	-	-	-	-	-	(3,644)	(3,644)
Appropriation of reserve		-	-	-	539	-	-	-	-	(539)	-	-	-
Balance at 31 December 2015		8,061	175,384	33,394	11,115	25,430	8,463	(4)	(31,348)	170,846	401,341	-	401,341

The notes on pages 45 to 110 form part of the consolidated financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 HK\$'000	2014 HK\$'000
Operating activities			
Profit before taxation		16,320	33,310
Adjustments for:			
Amortisation of prepaid lease payments	ó(c)	1,127	1,145
Depreciation of property, plant and equipment	ó(c)	17,297	17,595
Dividend income from available-for-sale investments	5	(3)	(3)
Write-down of inventories, net		1,701	4,325
Impairment of trade receivables	ó(c)	4,217	1,194
Fair value (gains)/losses on derivative financial instruments	ó(c)	(138)	82
Realised losses on derivative financial instruments, net	5	53	9
Interest expense	ó(a)	3,479	4,511
Interest income	5	(1,190)	(519)
Loss on disposal of property, plant and equipment, net	ó(c)	39	107
Equity-settled share-based payment transactions		9,966	9,750
Effect of foreign exchange rate changes, net		10,321	–
(Reversal of)/provision for long service payments	22	(160)	160
Operating profit before changes in working capital		63,029	71,666
Decrease/(increase) in inventories		38,866	(3,755)
Decrease in trade and other receivables		5,983	3,719
Decrease in trade and other payables		(58,131)	(17,752)
Cash generated from operations		49,747	53,878
Interest received		1,190	519
Interest paid		(3,479)	(4,511)
Hong Kong Profits Tax refunded/(paid)		262	(180)
PRC Enterprises Income Tax paid		(1,651)	(650)
Net cash generated from operating activities		46,069	49,056
Investing activities			
Purchase of derivative financial instruments		(29)	(354)
Proceeds from disposal of derivative financial instruments		132	149
Decrease/(increase) in pledged bank deposits		18,289	(29,829)
Decrease/(increase) in time deposits with maturity over three months		21,417	(22,744)
Purchase of property, plant and equipment		(6,114)	(19,130)
Proceeds from disposal of property, plant and equipment		37	201
Net cash generated from/(used in) investing activities		33,732	(71,707)



Consolidated statement of cash flows

for the year ended 31 December 2015
(Expressed in Hong Kong dollars)

	Note	2015 HK\$'000	2014 HK\$'000
Financing activities			
Proceeds from shares issued under share option scheme	26(a)	20,485	7,778
Proceeds from new bank borrowings		42,644	56,098
Repayment of bank borrowings		(73,016)	(84,263)
Acquisition of non-controlling interests	27	(33,000)	–
Dividends paid	26(b)	(7,790)	(10,908)
Dividends paid to non-controlling interests		(3,644)	–
		<hr/>	<hr/>
Net cash used in financing activities		(54,321)	(31,295)
		<hr/>	<hr/>
Net increase/(decrease) in cash and cash equivalents		25,480	(53,946)
		<hr/>	<hr/>
Cash and cash equivalents at beginning of the year		44,874	98,563
		<hr/>	<hr/>
Effect of foreign exchange rate changes		(1,692)	257
		<hr/>	<hr/>
Cash and cash equivalents at end of the year	19	68,662	44,874
		<hr/> <hr/>	<hr/> <hr/>

The notes on pages 45 to 110 form part of the consolidated financial statements.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



1 COMPANY INFORMATION

Hing Lee (HK) Holdings Limited (the "Company") was incorporated in the British Virgin Islands ("BVI") on 20 April 2004 and re-domiciled in Bermuda on 30 March 2007. The registered office of the Company is located at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, 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 32.

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 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 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 2015 comprise the Company and its subsidiaries (together the "Group").

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**(b) Basis of preparation of the consolidated financial statements (continued)**

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial instruments classified as available-for-sale investments (see note 2(e)); and
- derivative financial instruments (see 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 consolidated 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. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

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, transactions and cash flows 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 the non-controlling interests' 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 statement of profit or loss and the consolidated statement of profit or loss and other 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 interest 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 changes in relative interests, but no adjustment are made to goodwill and no gain or loss is recognised.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(ii)).

(d) Goodwill

Goodwill represents the excess of

- (i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over
- (ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

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)(ii)).

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**(e) Investments in available-for-sale equity securities**

Investments in available-for-sale equity securities are initially stated at fair value, which is their transaction price unless it is determined that the fair value at initial recognition differs from the transaction price and that fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets. Cost includes attributable transaction costs.

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. Dividend income from available-for-sale equity securities is recognised in profit or loss in accordance with the policy set out in note 2(t)(iii).

When the investments are derecognised or impaired (see note 2(i)(i)), the cumulative gain or loss recognised in equity is reclassified to profit or loss. Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments.

(f) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(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)(ii)).

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)(ii)). Cost comprises direct costs of construction. Capitalisation of these costs ceases and the construction in progress is transferred to other appropriate categories of property, plant and equipment when substantially all of the activities necessary to prepare the assets for their intended use was completed.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment (continued)

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives at the following annual rates:

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 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**(i) Impairment of assets***(i) Impairment of investments in equity securities and other receivables*

Investments in equity securities and other current and non-current receivables that are stated at cost or amortised cost 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 trade and other current receivables 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of assets (continued)

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

- For available-for-sale equity 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 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;
- pre-paid interests in leasehold land classified as being held under an operating lease;
- goodwill; and
- investments in subsidiaries in the Company's statement of financial position.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**(i) Impairment of assets (continued)***(ii) Impairment of other assets (continued)*

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 of disposal 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 of disposal (if measurable) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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)(ii)), 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(s)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**(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.

(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) Long service payments payable on cessation of employment

The Group's net obligation in respect of the long service payment payable on cessation of employment in certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method, discounted to its present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group.

Past service cost is recognised immediately to the extent that the benefits have already been vested.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in share option reserve within equity (see note 2(q)).

(iv) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Equity-settled share-based payment transactions

The Company operates a share option scheme under which the Group receives services or goods from its directors, employees and other eligible persons as consideration for share options of the Company. The fair value of the services or goods received in exchange for the grant of the share options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the share options, which is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the counterparties 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 expenses qualify for recognition as an asset, with a corresponding adjustment to the share option 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 share option reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the share option reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

Service and non-market performance conditions are not taken into account when determining the grant date fair value of share options, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to a share option, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of a share option and lead to an immediate expensing of a share option unless there are also service and/or performance conditions.

For share options that do not ultimately vest because non-market performance and/or service conditions have not been met, the share options are regarded as forfeited and no expense is recognised. Where share options include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled share-based payment are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the share option are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employees as measured at the date of modification.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**(r) 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 reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

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

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

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

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(s) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**(s) Financial guarantees issued, provisions and contingent liabilities (continued)***(i) Financial guarantees issued (continued)*

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as deferred income within trade and other payables. The fair value of financial guarantees issued at the time of issuance is determined by reference to fees charged in an arm's length transaction for similar services, when such information is obtainable, or is otherwise estimated by reference to interest rate differentials, by comparing the actual rates charged by lenders when the guarantee is made available with the estimated rates that lenders would have charged, had the guarantees not been available, where reliable estimates of such information can be made. 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(s)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Other provisions and contingent liabilities

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) 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) *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.

(iv) *Interest income*

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

(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 income 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.

(u) 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 the reporting period. Exchange gains and losses are recognised in profit or loss.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)**(u) Translation of foreign currencies (continued)**

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 measured.

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, including goodwill arising on consolidation of foreign operations acquired on or after 1 January 2005, 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.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(v) 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.

(w) 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Related parties (continued)

- (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).
 - (viii) The entity, or any members of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

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.

(x) 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.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the Group:

- Amendments to HKAS 19, Employee benefits: Defined benefits plans: Employee contributions
- Annual Improvements to HKFRSs 2010-2012 Cycle
- Annual Improvements to HKFRSs 2011-2013 Cycle

Except as described below, the adoption of the above amendments does not have significant impact on the Group's consolidated financial statements:

The two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, Related party disclosures has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 36).

4 TURNOVER

The principal 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.

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:

	2015	2014
	HK\$'000	HK\$'000
Sale of goods	467,167	587,162
Licensing income	18,114	19,919
	485,281	607,081

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



5 OTHER NET INCOME

	2015	2014
	HK\$'000	HK\$'000
Bank interest income	1,190	519
Dividend income from available-for-sale investments	3	3
Government grant (note (i))	4,362	2,336
Other interest income	3,541	–
Sales of scrap materials	26	107
Loss on disposal of property, plant and equipment, net	(39)	(107)
Net realised losses on derivative financial instruments	(53)	(9)
Others	1,382	2,217
	10,412	5,066

Note:

- (i) In 2015, the Group received funding supports from the government of the People's Republic of China (the "PRC") mainly relating to the Group's improvement of production technologies.

In 2014, the Group received funding supports from the government of the PRC relating to the Group's contributions in environmental protection and improvement of production technologies.

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2015	2014
	HK\$'000	HK\$'000
Interest on bank borrowings	3,479	4,511

(b) Staff costs

	2015	2014
	HK\$'000	HK\$'000
Directors' remuneration (note 8)	2,454	3,873
Wages and salaries	95,775	122,968
Retirement scheme contributions	10,407	10,760
(Reversal of)/provision for long service payments	(100)	100
Equity-settled share-based payment expenses	9,792	8,300
	118,328	146,001

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)

6 PROFIT BEFORE TAXATION (continued)

(c) Other items

	2015	2014
	HK\$'000	HK\$'000
Auditor's remuneration	980	977
Amortisation of prepaid lease payments	1,127	1,145
Cost of inventories sold [#] (note 16(b))	374,102	469,491
Depreciation of property, plant and equipment	17,297	17,595
Loss on disposal of property, plant and equipment, net	39	107
Foreign exchange loss, net	6,182	961
Impairment of trade receivables	4,217	1,194
Fair value (gains)/losses on derivative financial instruments	(138)	82
Operating lease rentals: minimum lease payments		
– land and buildings	6,154	4,946
	6,154	4,946

Cost of inventories sold includes HK\$88,136,000 (2014: HK\$110,922,000) relating to staff costs, depreciation and amortisation expenses and operating lease rentals, 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 STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2015	2014
	HK\$'000	HK\$'000
Current year provision		
– Hong Kong Profits Tax	–	24
– PRC Enterprise Income Tax	1,075	1,688
Prior years (over)/under-provision		
– Hong Kong Profits Tax	(28)	(20)
– PRC Enterprise Income Tax	(918)	203
	129	1,895

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

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

	2015	2014
	HK\$'000	HK\$'000
Profit before taxation	16,320	33,310
Notional tax on profit before taxation, calculated at Hong Kong Profits Tax rate of 16.5% (2014: 16.5%)	2,693	5,496
Tax effect of non-deductible expenses	3,711	1,955
Tax effect of non-taxable income	(860)	(1,906)
Tax effect of different tax rates of subsidiaries	(4,622)	(4,569)
Tax effect of unrecognised temporary differences	973	767
Tax effect of utilisation of tax losses not recognised previously	(2,543)	(548)
Tax effect of unused tax losses not recognised	1,760	838
Prior years (over)/under-provision	(946)	183
Others	(37)	(321)
Actual tax expense	129	1,895

- (i) Pursuant to the income tax rules and regulations, the Group is not subject to income tax in Bermuda and the BVI.
- (ii) No provision for Hong Kong Profits Tax has been made since the Group has substantiated tax losses for taxation purposes during the year. In 2014, the provision for Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit.
- (iii) Hing Lee Ideas Limited, a subsidiary incorporated in Malaysia, is subject to Company Income Tax in Malaysia. No provision for 2015 (2014: HK\$Nil) is made as it has been dormant since its incorporation.
- (iv) The subsidiaries incorporated in the PRC are subject to the PRC Enterprise Income Tax rate of 25% for 2015 (2014: 25%).

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)

8 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383 of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the Listing Rules is as follows:

Name of director	Directors' fee		Salaries, allowances and benefits in kind		Retirement scheme contributions		Share-based payments (note)		Total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors										
Sung Kai Hing (Chairman)	1,002	1,002	(30)	30	18	17	87	539	1,077	1,588
Cheung Kong Cheung	1,002	1,002	(30)	30	18	17	87	539	1,077	1,588
Non-executive director										
Fang Yan Zau, Alexander (resigned on 26 March 2014)	-	25	-	-	-	-	-	-	-	25
Independent non-executive directors										
Sun Jian	100	100	-	-	-	-	-	232	100	332
Shao Hanqing	100	100	-	-	-	-	-	70	100	170
Kong Hing Ki	100	100	-	-	-	-	-	70	100	170
	2,304	2,329	(60)	60	36	34	174	1,450	2,454	3,873

Note: These represented the estimated value of share options granted to directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for equity-settled share-based payment transactions as set out in note 2(p)(iii).

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed in note 25.

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 (2014: HK\$Nil).

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2014: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2014: three) individuals are as follows:

	2015	2014
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	3,094	3,228
Retirement scheme contributions	36	64
Share-based payments	237	1,618
	3,367	4,910

The emoluments of the three (2014: three) individuals with the highest emoluments are within the following bands:

	2015	2014
	Number of individuals	Number of individuals
HK\$Nil to HK\$1,000,000	1	–
HK\$1,000,001 to HK\$1,500,000	2	2
HK\$1,500,001 to HK\$2,000,000	–	1

10 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$16,713,000 (2014: HK\$28,120,000) and the weighted average number of 760,601,230 (2014: 730,474,381) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK\$16,713,000 (2014: HK\$28,120,000) and the weighted average number of 773,911,420 (2014: 738,240,809) ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2015	2014
Weighted average number of ordinary shares at 31 December	760,601,230	730,474,381
Effect of deemed issue of shares under the Company's share option scheme (note 25)	13,310,190	7,766,428
	<hr/> 773,911,420 <hr/>	<hr/> 738,240,809 <hr/>
Weighted average number of ordinary shares (diluted) at 31 December	773,911,420	738,240,809

11 SEGMENT REPORTING

(a) Operating segment information

The Group is principally engaged in the manufacture and sale of home furniture. All of the Group's products are of a similar nature and subject to similar risk and returns. Following the internal operation restructuring with effect from 1 January 2015, for management purpose, the management does not review the performance of the business in panel-furniture and upholstered furniture separately. Accordingly, the Group's operating activities are attributable to a single operating segment. Such changes have been restated for comparative amounts in prior years.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



11 SEGMENT REPORTING (continued)

(b) 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, 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, in the case of property, plant and equipment and prepaid lease payments, and the location of the operation to which they are allocated, in the case of goodwill.

	2015		2014	
	Revenues from external customers HK\$'000	Specified non-current assets HK\$'000	Revenues from external customers HK\$'000	Specified non-current assets HK\$'000
Asia (excluding the PRC)	159,042	580	127,124	1,096
Europe	11,479	–	14,203	–
PRC	267,526	378,736	399,099	409,944
The United States	38,829	–	52,786	–
Others	8,405	–	13,869	–
	485,281	379,316	607,081	411,040

Asia mainly covers Japan, Taiwan, Middle East and Southeast Asia; Europe mainly covers Ukraine, France, Georgia and Germany; and others mainly cover Canada, Africa, South America and Australia.

(c) Major customers

During the year ended 31 December 2015, revenue of HK\$72,268,000 arose from transactions with one external customer, which accounted for 10% or more of the total revenue of the Group.

During the year ended 31 December 2014, there was no single external customer with whom transaction exceeded 10% of the Group's revenue.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Plant and machinery HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost							
At 1 January 2014	226,194	2,553	5,693	25,352	98,552	18,690	377,034
Exchange realignment	(766)	(8)	(12)	(85)	(337)	(63)	(1,271)
Additions	-	218	1,518	2,401	4,602	4,576	13,315
Disposals	-	(190)	(532)	(141)	(1,198)	-	(2,061)
At 31 December 2014	225,428	2,573	6,667	27,527	101,619	23,203	387,017
At 1 January 2015	225,428	2,573	6,667	27,527	101,619	23,203	387,017
Exchange realignment	(13,153)	(152)	(206)	(1,600)	(5,987)	(1,354)	(22,452)
Additions	-	336	-	1,663	2,462	2,502	6,963
Disposals	-	-	(154)	-	(312)	-	(466)
At 31 December 2015	212,275	2,757	6,307	27,590	97,782	24,351	371,062
Accumulated depreciation							
At 1 January 2014	11,014	1,959	3,895	8,657	34,580	-	60,105
Exchange realignment	(18)	(6)	(8)	(15)	(86)	-	(133)
Charge for the year	4,388	395	1,039	3,205	8,568	-	17,595
Written back on disposals	-	(189)	(513)	(116)	(935)	-	(1,753)
At 31 December 2014	15,384	2,159	4,413	11,731	42,127	-	75,814
At 1 January 2015	15,384	2,159	4,413	11,731	42,127	-	75,814
Exchange realignment	(1,068)	(133)	(135)	(809)	(2,858)	-	(5,003)
Charge for the year	4,320	155	759	3,352	8,711	-	17,297
Written back on disposals	-	-	(154)	-	(237)	-	(391)
At 31 December 2015	18,636	2,181	4,883	14,274	47,743	-	87,717
Net book value							
At 31 December 2015	<u>193,639</u>	<u>576</u>	<u>1,424</u>	<u>13,316</u>	<u>50,039</u>	<u>24,351</u>	<u>283,345</u>
At 31 December 2014	<u>210,044</u>	<u>414</u>	<u>2,254</u>	<u>15,796</u>	<u>59,492</u>	<u>23,203</u>	<u>311,203</u>

At 31 December 2015, the Group had pledged its buildings and construction in progress with carrying value of HK\$217,990,000 (2014: HK\$233,247,000) to secure general banking facilities granted to the Group (note 21).

The Group's buildings are held for industrial use in the PRC under medium-term leases.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



13 PREPAID LEASE PAYMENTS

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

	HK\$'000
Cost	
At 1 January 2014	57,678
Exchange realignment	(195)
	<hr/>
At 31 December 2014	57,483
	<hr/>
At 1 January 2015	57,483
Exchange realignment	(3,354)
	<hr/>
At 31 December 2015	54,129
	<hr/>
Accumulated amortisation	
At 1 January 2014	7,491
Exchange realignment	(20)
Charge for the year	1,145
	<hr/>
At 31 December 2014	8,616
	<hr/>
At 1 January 2015	8,616
Exchange realignment	(548)
Charge for the year	1,127
	<hr/>
At 31 December 2015	9,195
	<hr/>
Net book value	
At 31 December 2015	44,934
	<hr/> <hr/>
At 31 December 2014	48,867
	<hr/> <hr/>

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)

13 PREPAID LEASE PAYMENTS (continued)

An analysis for reporting purposes is as follows:

	2015	2014
	HK\$'000	HK\$'000
Current portion	1,083	1,150
Non-current portion	43,851	47,717
	44,934	48,867

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 2015, the Group had pledged its leasehold land with carrying value of HK\$44,934,000 (2014: HK\$48,867,000) to secure general banking facilities granted to the Group (note 21).

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

14 GOODWILL

HK\$'000

Cost and carrying amount

At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	52,120
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Impairment tests for cash-generating units containing goodwill

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

	2015	2014
	HK\$'000	HK\$'000
Upholstered furniture – the PRC	52,120	52,120

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



14 GOODWILL (continued)

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 five-year period. Cash flows beyond the five-year period were then extrapolated using the estimate rates stated below.

Key assumptions used for value in use calculations:

	2015	2014
Gross margin	19%	24%
Growth rate	3%	4%
Discount rate	5%	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 2015 and 2014, management of the Group determined that there are no impairments of any of its CGU containing goodwill.

15 AVAILABLE-FOR-SALE INVESTMENTS

	2015	2014
	HK\$'000	HK\$'000
Listed equity investments in Hong Kong, at market value	57	64



Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)

16 INVENTORIES

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

	2015	2014
	HK\$'000	HK\$'000
Raw materials	12,355	17,597
Work in progress	12,134	21,922
Finished goods	31,163	77,505
Goods in transit	16,217	2,379
	<hr/> 71,869 <hr/>	<hr/> 119,403 <hr/>

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

	2015	2014
	HK\$'000	HK\$'000
Carrying amount of inventories sold	372,401	465,166
Write-down of inventories	5,290	5,049
Reversal of write-down of inventories	(3,589)	(724)
	<hr/> 374,102 <hr/>	<hr/> 469,491 <hr/>

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



17 TRADE AND OTHER RECEIVABLES

	2015	2014
	HK\$'000	HK\$'000
Trade debtors and bills receivable	64,741	51,541
Less: allowance for doubtful debts (note 17(b))	(10,852)	(6,682)
	53,889	44,859
Deposits paid for purchase of property, plant and equipment	2,300	2,625
Deposits paid to suppliers	22,729	40,522
Value added tax recoverable	14,051	15,365
Other deposits, prepayments and receivables	14,038	19,666
	53,118	78,178
	107,007	123,037

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK\$1,995,000 (2014: HK\$1,335,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

At 31 December 2015, the carrying amount of the trade debtors, which have been executed by a deed of charge, is HK\$3,000,000 (2014: HK\$3,000,000) (note 21) and the carrying amount of the associated liability is HK\$Nil (2014: HK\$Nil).

17 TRADE AND OTHER RECEIVABLES (continued)

(a) Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	2015	2014
	HK\$'000	HK\$'000
Within 3 months	37,260	37,842
3 to 6 months	3,222	2,970
6 to 9 months	12,465	2,636
9 months to 1 year	942	324
Over 1 year	-	1,087
	53,889	44,859

Trade debtors and bills receivable are non-interest bearing and are normally due within 30 to 90 days from the date of billing. Further details on the Group's credit policy are set out in note 28(a).

(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:

	2015	2014
	HK\$'000	HK\$'000
At 1 January	6,682	6,050
Exchange realignment	(40)	(562)
Impairment loss recognised	4,217	1,194
Uncollectible amounts written off	(7)	-
At 31 December	10,852	6,682

At 31 December 2015, the Group's trade debtors and bills receivable of HK\$10,852,000 (2014: HK\$6,682,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that none of the receivables is expected to be recovered.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



17 TRADE AND OTHER RECEIVABLES (continued)

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

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	2015	2014
	HK\$'000	HK\$'000
Neither past due nor impaired	38,266	40,392
Less than 3 months past due	9,178	2,699
3 to 6 months past due	5,724	522
6 months to 1 year past due	721	507
More than 1 year past due	-	739
	15,623	4,467
	53,889	44,859

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)

18 DERIVATIVE FINANCIAL INSTRUMENTS

	2015 HK\$'000	2014 HK\$'000
Foreign currency forward contracts	81	114

At the end of the reporting period, the Group had the following foreign currency forward contracts denominated in USD. The major terms of these contracts were as follows:

Notional amount	Maturity date	Conversion to RMB with contracted exchange rate (USD: RMB)
2015		
USD200,000	June 2016	6.4891
2014		
USD500,000	March 2015	6.1980
USD500,000	December 2015	6.3070

The fair values of foreign currency forward contracts at the end of the reporting period are provided by the Stock Exchange. All fair value changes were recognised in profit or loss.

19 CASH AND CASH EQUIVALENTS

	2015 HK\$'000	2014 HK\$'000
Deposits with banks	13,795	25,108
Cash at banks and on hand	67,094	74,917
	80,889	100,025
Pledged bank deposits	(12,227)	(32,407)
Cash and cash equivalents in the consolidated statement of financial position	68,662	67,618
Time deposits with terms over three months	-	(22,744)
Cash and cash equivalents in the consolidated statement of cash flows	68,662	44,874

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



20 TRADE AND OTHER PAYABLES

	2015	2014
	HK\$'000	HK\$'000
Trade creditors and bills payable	132,378	222,193
Accrued charges	16,887	21,151
Receipts in advance	33,623	22,494
Payables for purchase of property, plant and equipment	1,084	2,257
Other payables	17,682	6,233
	69,276	52,135
	201,654	274,328

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

As of the end of the reporting period, the ageing analysis of trade creditors and bills payable, based on the invoice date, is as follows:

	2015	2014
	HK\$'000	HK\$'000
Within 3 months	74,932	122,567
3 months to 1 year	41,089	88,487
Over 1 year	16,357	11,139
	132,378	222,193

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)

21 BANK BORROWINGS

The carrying amounts of bank borrowings are analysed as follows:

	2015 HK\$'000	2014 HK\$'000
Bank loans – secured	32,029	67,424
Trust receipt loans – secured	5,038	–
	37,067	67,424
Represented by:		
Current portion		
Due within 1 year	30,401	65,269
Due after 1 year which contain a repayment on demand clause	6,666	–
	37,067	65,269
Non-current portion	–	2,155
	37,067	67,424

At 31 December 2015, bank borrowings are repayable as follows:

	2015 HK\$'000	2014 HK\$'000
Within 1 year	30,401	65,269
After 1 year but within 2 years	3,333	2,155
After 2 years but within 5 years	3,333	–
	6,666	2,155
	37,067	67,424

21 BANK BORROWINGS (continued)

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 28(c)(i).

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 buildings and construction in progress (note 12);
- (ii) legal charges over the Group's medium-term leasehold land outside Hong Kong (note 13);
- (iii) deed of charge over receivables of HK\$3,000,000 (2014: HK\$3,000,000) (note 17);
- (iv) an assignment of export credit insurance corporation policies of HK\$5,000,000 (2014: HK\$5,000,000);
- (v) pledged bank deposits of the Group (note 19); and
- (vi) guarantees from the Government of the HKSAR under the Special Loan Guarantee Scheme and the SME Loan Guarantee Scheme of HK\$Nil (2014: HK\$6,200,000).

At 31 December 2015, the Group's banking facilities amounted to approximately HK\$74,029,000 (2014: HK\$142,582,000). The facilities were utilised to the extent of approximately HK\$37,067,000 (2014: HK\$67,424,000).

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 28(b). At 31 December 2015 and 2014, none of the covenants relating to drawn down facilities had been breached.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)

22 PROVISION FOR LONG SERVICE PAYMENTS

Under the Hong Kong Employment Ordinance, the Group is required to make long service payments to its employees in Hong Kong upon the termination of their employment or retirement when the employee fulfils certain conditions and the termination meets the required circumstances.

Movements in the provision for long service payments during the year are as follows:

	2015 HK\$'000	2014 HK\$'000
At 1 January	160	–
Amount charged to profit or loss	(160)	160
	<hr/>	<hr/>
At 31 December	–	160
	<hr/> <hr/>	<hr/> <hr/>

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position

(i) *Current tax recoverable represents:*

	2015 HK\$'000	2014 HK\$'000
Hong Kong Profits Tax recoverable	10	253
	<hr/> <hr/>	<hr/> <hr/>

(ii) *Current taxation represents:*

	2015 HK\$'000	2014 HK\$'000
Hong Kong Profits Tax payable	–	8
PRC Enterprise Income Tax payable	250	1,795
	<hr/>	<hr/>
	250	1,803
	<hr/> <hr/>	<hr/> <hr/>

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

(b) Deferred taxation

At 31 December 2015, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$76,708,000 (2014: HK\$84,095,000) 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\$66,330,000 (2014: HK\$72,773,000) will expire within 5 years and the remaining tax losses of HK\$10,378,000 (2014: HK\$11,322,000) have no expiry date under the current tax legislation.

At 31 December 2015, the Group has unrecognised deferred tax liabilities of HK\$2,788,000 (2014: HK\$2,799,000) in relation to withholding tax on undistributed earnings of HK\$55,758,000 (2014: HK\$55,990,000) due to the retention of undistributed earnings by the Group's subsidiaries in the PRC determined by the directors of the Company.

At 31 December 2015, the Group does not have any other material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2014: HK\$Nil), and therefore, no provision for deferred tax has been made.

24 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\$30,000 (HK\$25,000 prior to June 2014). 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.

25 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.

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(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.

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

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

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

Date of grant	Number of options	Period during which options are exercisable	Contractual life of options	Tranche	Note
Options to directors:					
2 April 2014	4,800,000	3 April 2014 to 31 December 2016	2.8 years	1	
2 April 2014	7,200,000	3 April 2014 to 31 December 2016	2.8 years	2	
2 April 2014	7,200,000	3 April 2014 to 31 December 2016	2.8 years	3	
Options to employees:					
2 April 2014	19,200,000	3 April 2014 to 31 December 2016	2.8 years	1	
2 April 2014	10,800,000	3 April 2014 to 31 December 2016	2.8 years	2	
2 April 2014	10,800,000	3 April 2014 to 31 December 2016	2.8 years	3	
10 June 2014	27,000,000	11 June 2014 to 31 December 2016	2.6 years	4	
10 June 2014	27,000,000	11 June 2014 to 31 December 2016	2.6 years	5	
19 June 2014	6,000,000	20 June 2014 to 31 December 2016	2.5 years	6	
19 June 2014	6,000,000	20 June 2014 to 31 December 2016	2.5 years	7	
28 May 2015	10,000,000	4 September 2015 to 31 December 2017	2.3 years	8	(i)
28 May 2015	10,000,000	4 September 2015 to 31 December 2017	2.3 years	9	(i)
9 June 2015	3,730,000	4 September 2015 to 31 December 2017	2.3 years	10	(i)
9 June 2015	3,730,000	4 September 2015 to 31 December 2017	2.3 years	11	(i)

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(Expressed in Hong Kong dollars)



25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

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

Date of grant	Number of options	Period during which options are exercisable	Contractual life of options	Tranche	Note
Options to suppliers and consultants:					
10 June 2014	3,000,000	11 June 2014 to 31 December 2016	2.6 years	4	
10 June 2014	3,000,000	11 June 2014 to 31 December 2016	2.6 years	5	
9 June 2015	5,270,000	4 September 2015 to 31 December 2017	2.3 years	10	(i)
9 June 2015	12,500,000	31 December 2015 to 31 December 2017	2.0 years	10	(i)*
9 June 2015	5,270,000	4 September 2015 to 31 December 2017	2.3 years	11	(i)
9 June 2015	12,500,000	31 December 2015 to 31 December 2017	2.0 years	11	(i)*
Total	<u>195,000,000</u>				

Note (i): A total of 20,000,000 and 43,000,000 share options were granted on 28 May 2015 and 9 June 2015 respectively. Of these, 25,000,000 share options (as indicated (i)* above), granted on 9 June 2015 to suppliers were subsequently forfeited on 21 August 2015. No expense is recognised for these share options as they do not ultimately vest because the suppliers were unable to perform the agreed services.

For the remaining 38,000,000 share options, the Company has subsequently modified the terms on 4 September 2015 by reducing the exercise price from HK\$0.58 to HK\$0.31 and changing the exercisable period from "31 December 2015 to 31 December 2017" to "4 September 2015 to 31 December 2017". As such, the Group recognised a total expense of HK\$6,695,000 in relation of the original share options granted; and a further expense of HK\$1,047,000, being the incremental fair value granted as a result of the modifications. The Company used the input as disclosed in note 25(e) to measure the fair value of the old and new share options.

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

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

	2015		2014	
	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$	Number of share options
Outstanding at beginning of the year	0.4272	112,700,000	0.4304	38,976,060
Granted during the year	0.4171	63,000,000	0.4252	132,000,000
Forfeited during the year	0.5800	(25,000,000)	-	-
Exercised during the year	0.3437	(59,600,000)	0.4030	(19,300,000)
Lapsed during the year	-	-	0.4304	(38,976,060)
Outstanding at end of the year	0.4329	91,100,000	0.4272	112,700,000
Exercisable at end of the year	0.4329	91,100,000	0.4262	58,700,000

The weighted average share price at the date of exercise for share options exercised during the year was HK\$0.48 (2014: HK\$0.54).

The options outstanding at 31 December 2015 had an exercise price of HK\$0.4030 to HK\$0.4900 (2014: HK\$0.4030 to HK\$0.4900) and a weighted average remaining contractual life of 1.0 year (2014: 2.0 years).

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

(e) 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.

	Tranche 8			Tranche 9		
		Original	Modified		Original	Modified
	Original	share options	share options	Original	share options	share options
Options granted on 28 May 2015 and modified on 4 September 2015	share options measured at date of grant	remeasured at date of modification	measured at date of modification	share options measured at date of grant	remeasured at date of modification	measured at date of modification
Fair value at measurement date	0.1630	0.0520	0.0780	0.1780	0.0560	0.0780
Share price	0.5800	0.3100	0.3100	0.5800	0.3100	0.3100
Exercise price	0.5800	0.5800	0.3100	0.5800	0.5800	0.3100
Expected volatility (expressed as weighted average volatility used in the modelling under binominal lattice model)	63%	74%	74%	63%	74%	74%
Option life (expressed as weighted average volatility used in the modelling of binominal lattice model)	2.6 years	2.3 years	2.3 years	2.6 years	2.3 years	2.3 years
Expected dividends	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Risk free interest rate (based on Hong Kong Exchange Fund Notes)	0.55%	0.48%	0.48%	0.55%	0.48%	0.48%

25 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

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

	Tranche 10			Tranche 11		
		Original	Modified		Original	Modified
	Original	share options	share options	Original	share options	share options
Options granted on	share options	remeasured	measured	share options	remeasured	measured
9 June 2015 and	measured at	at date of	at date of	measured at	at date of	at date of
modified on 4 September 2015	date of grant	modification	modification	date of grant	modification	modification
		(Note)	(Note)		(Note)	(Note)
Fair value at measurement date	0.1630	0.0520	0.0780	0.1780	0.0560	0.0780
Share price	0.5800	0.3100	0.3100	0.5800	0.3100	0.3100
Exercise price	0.5800	0.5800	0.3100	0.5800	0.5800	0.3100
Expected volatility (expressed as weighted average volatility used in the modelling under binominal lattice model)	63%	74%	74%	63%	74%	74%
Option life (expressed as weighted average volatility used in the modelling of binominal lattice model)	2.6 years	2.3 years	2.3 years	2.6 years	2.3 years	2.3 years
Expected dividends	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
Risk free interest rate (based on Hong Kong Exchange Fund Notes)	0.55%	0.48%	0.48%	0.55%	0.48%	0.48%

Note: These are not applicable to the 25,000,000 share options forfeited on 21 August 2015 (see note 25(c)).

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



26 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

(i) Authorised and issued share capital

	2015		2014	
	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 1 January	1,000,000,000	10,000	1,000,000,000	10,000
Increase during the year (note (ii))	2,000,000,000	20,000	-	-
At 31 December	3,000,000,000	30,000	1,000,000,000	10,000
Issued and fully paid:				
At 1 January	746,496,025	7,465	242,398,675	2,424
Issues of bonus shares (notes (iii))	-	-	484,797,350	4,848
Shares issued under share option scheme (note (iv))	59,600,000	596	19,300,000	193
At 31 December	806,096,025	8,061	746,496,025	7,465

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.

(ii) Increase in authorised share capital

By an ordinary resolution passed at the Annual General Meeting on 15 May 2015, the authorised share capital of the Company was increased from HK\$10,000,000 divided into 1,000,000,000 ordinary shares of HK\$0.01 each to HK\$30,000,000 divided into 3,000,000,000 ordinary shares of HK\$0.01 each by the creation of an additional 2,000,000,000 new ordinary shares of HK\$0.01 each.

(iii) Bonus issue

Pursuant to the bonus issue made by the Company on 28 October 2014, the Company issued 484,797,350 ordinary shares of HK\$0.01 each on the basis of two new shares for every one existing share held.

26 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

(a) Share capital (continued)

(iv) *Shares issued under share option scheme*

During the year ended 31 December 2015, options were exercised to subscribe for 59,600,000 (2014: 19,300,000) ordinary shares in the Company at a consideration of HK\$20,484,800 (2014: HK\$7,778,000).

(v) *Terms of unexpired and unexercised share options at the end of the reporting period*

Exercisable period	Exercise price	2015 Number	2014 Number
3 April 2014 to 31 December 2016	0.4030	19,100,000	40,700,000
11 June 2014 to 31 December 2016	0.4310	60,000,000	60,000,000
20 June 2014 to 31 December 2016	0.4900	12,000,000	12,000,000
		91,100,000	112,700,000

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 25 to the consolidated financial statements.

(b) Dividends

(i) *Dividends payable to equity shareholders of the Company attributable to the year:*

	2015 HK\$'000	2014 HK\$'000
Interim dividend declared and paid of HK 0.47 cents, (2014: HK 0.47 cents) per ordinary share	3,610	3,394
Special dividend declared and paid of nil cents (2014: HK 1.03 cents) per ordinary share	-	7,514
Final dividend proposed after the end of the reporting period of nil cents (2014: HK 0.56 cents) per ordinary share	-	4,180
	3,610	15,088

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

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



26 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends (continued)

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous year, approved and paid during the year:

	2015	2014
	HK\$'000	HK\$'000
Final dividend in respect of the previous year of HK 0.56 cents (2014: Nil) per ordinary shares	4,180	–

(c) 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(u).

- (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.

26 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)**(c) Nature and purpose of reserves (continued)***(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(q). 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(e) 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.

(d) Distributability of reserves

At 31 December 2015, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$263,076,000 (2014: HK\$147,208,000), being the aggregate of the share premium and retained profits of the Company. The Company's share premium account in the amount of HK\$175,384,000 (2014: HK\$145,745,000) may be distributed in the form of fully paid bonus shares only.

(e) 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, derivative financial instruments, cash and cash equivalents, secured bank loans 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 and new share issues.

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

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



27 CHANGES IN OWNERSHIP INTEREST IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

On 26 May 2015, the Company's wholly-owned subsidiary, Great Ample Holdings Limited, acquired an additional 40% of the issued shares of a 60% owned subsidiary, Astromax Investment Limited ("Astromax"), for a cash consideration of HK\$33,000,000. The carrying amount of the non-controlling interests in Astromax and its wholly-owned subsidiaries, City Leading Limited and Shenzhen Ouluo Furniture Company Limited (together, "Astromax Group"), as at the date of acquisition was HK\$8,138,000. As a result, the Group recognised a decrease in non-controlling interests of HK\$8,138,000 and a decrease in equity attributable to equity shareholders of the Company of HK\$24,862,000. The effect of changes in ownership interest in Astromax Group is summarised as follows:

	2015 HK\$'000
Carrying amount of non-controlling interest acquired	8,138
Consideration paid to non-controlling interests	(33,000)
	<hr/>
Excess of consideration paid recognised in capital reserve within equity	(24,862)
	<hr/> <hr/>

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments.

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.

(a) 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 consolidated statement of financial position.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) 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 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 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.

	2015					2014				
	Total contractual carrying amount	Within 1 year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years		Total contractual carrying amount	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
Trade and other payables	168,031	168,031	168,031	-	-	251,834	251,834	251,834	-	-
Bank borrowings	37,067	37,402	37,402	-	-	67,424	69,355	67,181	2,174	-
	205,098	205,433	205,433	-	-	319,258	321,189	319,015	2,174	-

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

The following table 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.

	2015					2014				
	Total contractual		Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years	Total contractual		Within 1 year	More than 1 year but less than 2 years	More than 2 years but less than 5 years
	Carrying amount	undiscounted cash flow	or on demand	or on demand	or on demand	Carrying amount	undiscounted cash flow	or on demand	or on demand	or on demand
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	168,031	168,031	168,031	-	-	251,834	251,834	251,834	-	-
Bank borrowings	37,067	37,574	30,736	3,460	3,378	67,424	69,355	67,181	2,174	-
	205,098	205,605	198,767	3,460	3,378	319,258	321,189	319,015	2,174	-

(c) 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-earning financial assets include mainly deposits with banks and cash at banks ("bank deposits"). Interest-bearing financial liabilities include 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 19 and 21.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

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

	2015		2014	
	Effective interest rate	HK\$'000	Effective interest rate	HK\$'000
Fixed rate deposits:				
Bank deposits	3.40%	12,227	3.00%	22,744
Variable rate deposits:				
Bank deposits	0.35%	44,008	0.35%	62,145
Variable rate borrowings:				
Bank borrowings	5.63%	(37,067)	5.53%	(67,424)
Net variable rate deposits/ (borrowings)		6,941		(5,279)
Net deposits		19,168		17,465

(ii) Sensitivity analysis

At 31 December 2015, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would increase/decrease (2014: decrease/increase) the Group's profit after tax and retained profits by approximately HK\$58,000 (2014: HK\$44,000).

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2014.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) 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 material derivative financial instruments for trading purposes or to hedge against fluctuations in foreign exchange rates, but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The following table details the Group's exposure at the end of the reporting period to foreign currency risk arising from recognised assets or liabilities denominated in a currency other than 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.

	2015			2014		
	Denominated in			Denominated in		
	Hong Kong dollars HK\$'000	Renminbi HK\$'000	United States dollars HK\$'000	Hong Kong dollars HK\$'000	Renminbi HK\$'000	United States dollars HK\$'000
Trade and other receivables	-	-	14,748	-	3	15,923
Derivative financial instruments	-	-	81	-	-	114
Cash and cash equivalents	10,482	17,911	4,033	1,313	25,470	3,300
Trade and other payables	-	-	(1,492)	-	-	(1,143)
Bank borrowings	(30,000)	-	-	(3,400)	-	-
Net exposure arising from recognised assets/(liabilities)	(19,518)	17,911	17,370	(2,087)	25,473	18,194

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.

(e) Equity price risk

The Group is not exposed to significant equity price changes arising from available-for-sale equity investments (see note 15) as the amount involved is not material to the Group.

28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(f) Fair value measurement

(i) *Financial assets and liabilities measured at fair value:*

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	Fair value measurements as at 31 December 2015 categorised into				Fair value measurements as at 31 December 2014 categorised into			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets								
Recurring fair value measurements								
Available-for-sale investments	57	-	-	57	64	-	-	64
Derivative financial instruments	81	-	-	81	114	-	-	114
	<u>57</u>	<u>-</u>	<u>-</u>	<u>57</u>	<u>64</u>	<u>-</u>	<u>-</u>	<u>64</u>
	<u>81</u>	<u>-</u>	<u>-</u>	<u>81</u>	<u>114</u>	<u>-</u>	<u>-</u>	<u>114</u>

There were no transfers between levels of fair value hierarchy during the years ended 31 December 2015 and 2014.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



28 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(f) Fair value measurement (continued)

(ii) Financial assets and liabilities carried at other than fair value

The carrying amounts of financial assets and liabilities (including trade debtors and bills receivable, deposits and other receivables, pledged 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.

(g) Offsetting financial assets and financial liabilities

Financial assets

The following financial assets are subject to offsetting agreements:

	Gross amounts of recognised financial assets HK\$'000	Gross amounts of recognised financial liabilities HK\$'000	Net amounts of financial assets presented in the consolidated statement of financial position HK\$'000
As at 31 December 2015			
Derivative financial assets	1,630	(1,549)	81
As at 31 December 2014			
Derivative financial assets	8,122	(8,008)	114

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(Expressed in Hong Kong dollars)

29 COMMITMENTS

- (a) Capital commitments outstanding at 31 December 2015 not provided for in the consolidated financial statements are as follows:

	2015	2014
	HK\$'000	HK\$'000
Contracted for:		
– Construction of factory building	48,285	47,536
– Purchase of property, plant and equipment	1,510	1,573
	49,795	49,109
Authorised but not contracted for:		
– Construction of factory building	62,460	72,727

- (b) At 31 December 2015, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2015	2014
	HK\$'000	HK\$'000
Within 1 year	5,117	6,200
After 1 year but within 5 years	4,200	2,906
	9,317	9,106

The Group is the lessee in respect of a number of properties held under operating leases. The leases typically run for an initial period of 1 to 10 years, with an option to renew the lease when all terms are renegotiated. Lease payments are usually increased every 1 to 5 years to reflect market rentals. None of the leases includes contingent rentals.

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



30 CONTINGENT LIABILITIES

	2015	2014
	HK\$'000	HK\$'000
Corporate guarantees given and utilised – the Company	35,038	6,200

At 31 December 2015, the Company provided corporate guarantees to the following subsidiaries:

- (a) Hing Lee Furniture Company Limited in relation to banking facilities to the extent of HK\$69,000,000 (2014: HK\$62,000,000) of which HK\$35,038,000 (2014: HK\$3,400,000) was utilised;
- (b) City Leading Limited in relation to banking facilities to the extent of HK\$51,000,000 (2014: HK\$27,000,000) of which none (2014: none) was utilised;
- (c) Hing Lee (China) Company Limited in relation to banking facilities to the extent of HK\$Nil (2014: HK\$12,000,000) of which none (2014: HK\$2,800,000) was utilised; and
- (d) Hing Lee Furniture Group Limited in relation to banking facilities to the extent of HK\$24,000,000 (2014: HK\$4,000,000) of which none (2014: none) 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.

31 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 all other highest paid employees as disclosed in note 9, is as follows:

	2015	2014
	HK\$'000	HK\$'000
Short-term employee benefits	5,338	5,617
Post-employment benefits	72	98
Share-based payments	411	3,068
	5,821	8,783

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

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)

32 SUBSIDIARIES

Details of the Group's subsidiaries as at 31 December 2015 and 2014 are as follows:

Name of company	Place of incorporation and registration	Particulars of issued and paid-up share capital/ registered capital	Proportion of Group's ownership interest		Principal activity
			2015	2014	
Directly held by the Company					
Great Ample Holdings Limited (note (i))	BVI	20,001 shares of US\$1 each	100%	100%	Investment holding
Indirectly held through subsidiaries					
Glory Skill Investments Limited (note (i))	BVI	2,961 shares of US\$1 each	100%	100%	Investment holding
Springrich Investments Limited (note (i))	BVI	1 share of US\$1	100%	100%	Investment holding
Success Profit International Limited (note (i))	BVI	10,001 shares of US\$1 each	100%	100%	Investment holding
Hing Lee (China) Company Limited	Hong Kong	18,010,000 shares (HK\$18,010,000)	100%	100%	Investment holding and provision of management services
Hing Lee Furniture Company Limited	BVI	1 share of US\$1	100%	100%	Trading of furniture
Sharp Motion Worldwide Limited (note (i))	BVI	4 shares of US\$1 each	100%	100%	Trademark holding/licensing
Hing Lee Ideas Limited (note (i))	Malaysia	1 share of US\$1	100%	100%	Dormant
Hong Kong Hing Lee Furniture Group Limited (note (i))	BVI	1 share of US\$1	100%	100%	Dormant
Hing Lee Furniture Group Limited	Hong Kong	3 shares (HK\$3)	100%	100%	Trading of furniture
Hander International Limited	Hong Kong	100 shares (HK\$100)	100%	100%	Investment holding
Hanmix Limited	Hong Kong	1 share (HK\$1)	100%	100%	Investment holding
Astromax (note (i))	BVI	100 shares of US\$1 each	100%	60%	Investment holding
City Leading Limited	Hong Kong	1 share (HK\$1)	100%	60%	Trading of sofa
深圳興利尊典家具有限公司 (Shenzhen Xingli Zundian Furniture Company Limited) (note (i) and (ii))	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) (note (i) and (ii))	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) (note (i) and (ii))	PRC	US\$1,680,000	100%	100%	Manufacture and sale of bed mattresses

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



32 SUBSIDIARIES (continued)

Name of company	Place of incorporation and registration	Particulars of issued and paid-up share capital/registered capital	Proportion of Group's ownership interest		Principal activity
			2015	2014	
深圳歐羅家具有限公司 (Shenzhen Ouluo Furniture Company Limited) (note (i) and (ii))	PRC	RMB8,500,000	100%	60%	Manufacture and sale of sofa

Notes:

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

The following table lists out the information relating to Astromax Group, which has material non-controlling interest ("NCI") prior to 26 May 2015. Astromax Group has been wholly-owned by the Group since 26 May 2015 (see note 27). The summarised financial information of the Astromax Group presented below represents the amounts before any inter-company elimination with the Group.

	2015 HK\$'000	2014 HK\$'000
NCI percentage (see note 27)	40%	40%
Current assets	-	33,529
Non-current assets	-	1,826
Current liabilities	-	(4,591)
Net assets	-	30,764
Carrying amount of NCI	-	12,306
Revenue	18,785	84,440
(Loss)/profit for the period/year	(1,305)	8,236
Total comprehensive (loss)/income for the period/year	(1,311)	8,192
(Loss)/profit allocated to NCI	(522)	3,295
Dividend paid to NCI	3,644	-
Cash flows generated from/(used in) operating activities	2,647	(4,373)
Cash flows used in investing activities	-	(286)
Cash flows used in financing activities	(9,110)	-

Note: The results and cash flows information for the year ended 31 December 2015 presented above represents the results and cash flows from 1 January 2015 to 25 May 2015.



Notes to the consolidated financial statements

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33 FINANCIAL INFORMATION OF THE COMPANY

(a) Statement of financial position

	2015	2014
	HK\$'000	HK\$'000
Non-current assets		
Investments in subsidiaries	<u>156</u>	<u>156</u>
Current assets		
Dividend receivable from a subsidiary	161,175	61,175
Amounts due from subsidiaries	121,146	99,694
Cash and cash equivalents	4,271	2,942
	<u>286,592</u>	<u>163,811</u>
Current liabilities		
Other payables and accrued charges	1,166	1,047
Amount due to a subsidiary	5,982	–
	<u>7,148</u>	<u>1,047</u>
Net current assets	<u>279,444</u>	<u>162,764</u>
NET ASSETS	<u>279,600</u>	<u>162,920</u>
CAPITAL AND RESERVES		
Share capital	8,061	7,465
Reserves	271,539	155,455
TOTAL EQUITY	<u>279,600</u>	<u>162,920</u>

Notes to the consolidated financial statements

(Expressed in Hong Kong dollars)



33 FINANCIAL INFORMATION OF THE COMPANY (continued)

(b) Details of changes in the Company's individual components of reserve during the year:

		Share capital	Share premium	Share option reserve	Retained profits	Total
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note 26(a))	(note 26(c))	(note 26(c)(v))			
Balance at 1 January 2014		2,424	141,505	5,152	14,681	163,762
Loss and total comprehensive loss for the year		-	-	-	(7,462)	(7,462)
Equity-settled share-based payment transactions	25	-	-	9,750	-	9,750
Dividends approved in respect of current year	26(b)	-	-	-	(10,908)	(10,908)
Issues of bonus shares	26(a)(iii)	4,848	(4,848)	-	-	-
Shares issued under share option scheme						
- gross proceeds		193	7,585	-	-	7,778
- transfer from share option reserve		-	1,503	(1,503)	-	-
Transfer on lapse of share options		-	-	(5,152)	5,152	-
Balance at 31 December 2014 and at 1 January 2015		7,465	145,745	8,247	1,463	162,920
Profit and total comprehensive income for the year		-	-	-	94,019	94,019
Equity-settled share-based payment transactions	25	-	-	9,966	-	9,966
Dividends approved in respect of						
- previous year	26(b)	-	-	-	(4,180)	(4,180)
- current year	26(b)	-	-	-	(3,610)	(3,610)
Shares issued under share option scheme	26(a)(iv)					
- gross proceeds		596	19,889	-	-	20,485
- transfer from share option reserve		-	9,750	(9,750)	-	-
Balance at 31 December 2015		8,061	175,384	8,463	87,692	279,600

34 EVENTS AFTER THE REPORTING PERIOD

The Group does not have any significant events after the reporting period.

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

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 of disposal 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.

35 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(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 statement of profit or loss 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 2015

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 2015 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group:

Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle ¹
Amendments to HKAS 1	Disclosure initiative ¹
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ¹
HKFRS 9	Financial instruments ²
HKFRS 15	Revenue from contracts with customers ³

¹ Effective for annual periods beginning on or after 1 January 2016.

² Effective for annual periods beginning on or after 1 January 2018.

³ Effective for annual periods beginning on or after 1 January 2017.

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.