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 RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

The board of directors (the "Board") of Hing Lee (HK) Holdings Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2014 with comparative figures for the corresponding year ended 31 December 2013.

The results of the Company have been reviewed by the Company's audit committee and the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	**2014**	2013
		HK$'000	*HK$'000*
Turnover	4	**607,081**	677,297
Cost of sales		**(469,491)**	(550,767)
Gross profit		**137,590**	126,530
Other net income	5	**5,066**	4,364
Selling and distribution expenses		**(55,331)**	(66,995)
Administrative expenses		**(49,504)**	(52,650)
Profit from operation		**37,821**	11,249
Finance costs	6(a)	**(4,511)**	(4,670)
Profit before taxation	6	**33,310**	6,579
Income tax	7	**(1,895)**	(825)
Profit for the year		**31,415**	5,754
Attributable to:			
Equity shareholders of the Company		**28,120**	4,547
Non-controlling interests		**3,295**	1,207
Profit for the year		**31,415**	5,754
		HK cents	*HK cents* (Restated)
Earnings per share	9		
– Basic		**3.85**	0.63
– Diluted		**3.81**	0.63

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
for the year ended 31 December 2014
(Expressed in Hong Kong dollars)

	Note	**2014** **HK$'000**	2013 HK$'000
Profit for the year		**31,415**	5,754
Other comprehensive (loss)/income for the year (after tax)	8		
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of overseas subsidiaries		**(644)**	6,382
– (Loss)/gain on fair value changes of available-for-sale investments		**(9)**	2
Other comprehensive (loss)/income for the year		**(653)**	6,384
Total comprehensive income for the year		**30,762**	12,138
Attributable to:			
Equity shareholders of the Company		**27,485**	10,592
Non-controlling interests		**3,277**	1,546
Total comprehensive income for the year		**30,762**	12,138

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

(Expressed in Hong Kong dollars)

	Note	**2014**	2013
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**311,203**	316,929
Prepaid lease payments		**47,717**	49,033
Goodwill		**52,120**	52,120
Available-for-sale investments		**64**	70
		411,104	418,152
Current assets			
Prepaid lease payments		**1,150**	1,154
Inventories		**119,403**	120,381
Trade and other receivables	11	**123,037**	128,284
Derivative financial instruments		**114**	–
Current tax recoverable		**253**	69
Pledged bank deposits		**32,407**	2,588
Cash and cash equivalents		**67,618**	98,563
		343,982	351,039
Current liabilities			
Trade and other payables	12	**274,328**	294,978
Current portion of bank borrowings		**65,269**	52,166
Current taxation		**1,803**	551
		341,400	347,695
Net current assets		**2,582**	3,344
Total assets less current liabilities		**413,686**	421,496
Non-current liabilities			
Other payables	12	**–**	3,881
Non-current portion of bank borrowings		**2,155**	43,626
Provision for long service payments		**160**	–
		2,315	47,507
NET ASSETS		**411,371**	373,989
CAPITAL AND RESERVES	13		
Share capital		**7,465**	2,424
Reserves		**391,600**	362,536
Total equity attributable to equity shareholders of the Company		**399,065**	364,960
Non-controlling interests		**12,306**	9,029
TOTAL EQUITY		**411,371**	373,989

NOTES TO THE FINANCIAL STATEMENTS

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

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

2. BASIS OF PREPARATION

This financial information 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, which for this financial year and the comparative period continue to be those of the predecessor Hong Kong Companies Ordinance (Cap. 32), in accordance with transitional and saving arrangements for Part 9 of the new Hong Kong Companies Ordinance (Cap. 622), "Accounts and Audit", which are set out in sections 76 to 87 of Schedule 11 to that 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").

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.

3. CHANGES IN ACCOUNTING POLICIES

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

- Amendments to HKAS 32, Offsetting financial assets and financial liabilities
- Amendments to HKAS 36, Recoverable amount disclosures for non-financial assets
- HK(IFRIC) 21, Levies

The amendments to HKAS 32 clarify the offsetting criteria in HKAS 32.

The amendments to HKAS 36 modify the disclosure requirements for impaired non-financial assets. Among them, the amendments expand the disclosures required for an impaired asset or cash-generating unit whose recoverable amount is based on fair value less costs of disposal.

HK(IFRIC) 21 provides guidance on when a liability to pay a levy imposed by a government should be recognised.

The above amendments and new interpretation do not have significant impact on the Group's consolidated financial statements.

The Group has not applied any new or revised HKFRSs that is not yet effective for the current accounting period (see note 14).

4. TURNOVER

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

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

	2014	2013
	HK$'000	*HK$'000*
Sale of goods	**587,162**	664,722
Licensing income	**19,919**	12,575
	607,081	677,297

5. OTHER NET INCOME

	2014	2013
	HK$'000	*HK$'000*
Bank interest income	**519**	347
Dividend income from available-for-sale investments	**3**	3
Government grant (i)	**2,336**	3,200
Sales of scrap materials	**107**	238
Loss on disposal of property, plant and equipment, net	**(107)**	–
Net realised losses on derivative financial instruments	**(9)**	–
Others	**2,217**	576
	5,066	4,364

(i) In 2014, the Group received funding supports from the government of the People's Republic of China (the "PRC") relating to the Group's contributions in environmental protection and improvement of production technologies.

In 2013, the Group successfully applied for the funding support from the government of the PRC mainly for improvement of production technologies, participation in exhibitions and business development.

6. PROFIT BEFORE TAXATION

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

(a) Finance costs

	2014	2013
	HK$'000	*HK$'000*
Interest on bank borrowings repayable within 5 years	**4,511**	4,670

(b) Staff costs

	2014	2013
	HK$'000	*HK$'000*
Directors' remuneration	**3,873**	2,434
Wages and salaries	**122,968**	129,989
Retirement scheme contributions	**10,760**	9,450
Provision for long service payments	**100**	–
Equity-settled share-based payment expenses	**8,300**	–
	146,001	141,873

(c) Other items

	2014	2013
	HK$'000	*HK$'000*
Auditor's remuneration		
– audit services	**977**	831
– other services	**–**	240
Amortisation of prepaid lease payments	**1,145**	1,137
Cost of inventories sold #	**469,491**	550,767
Depreciation of property, plant and equipment	**17,595**	16,686
Loss on disposal of property, plant and equipment, net	**107**	287
Foreign exchange loss/(gain), net	**961**	(142)
Impairment of trade receivables, net	**1,194**	505
Fair value losses on derivative financial instruments	**82**	–
Operating lease rentals: minimum lease payments		
– land and buildings	**4,946**	9,972

Cost of inventories sold includes HK$110,922,000 (2013: HK$107,093,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

	2014	2013
	HK$'000	*HK$'000*
Current year provision		
– Hong Kong Profits Tax	**24**	107
– PRC Enterprise Income Tax	**1,688**	1,008
Prior years (over)/under-provision		
– Hong Kong Profits Tax	**(20)**	(501)
– PRC Enterprise Income Tax	**203**	211
	1,895	825

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

	2014	2013
	HK$'000	*HK$'000*
Profit before taxation	**33,310**	6,579
Notional tax on profit before taxation	**5,496**	1,086
Tax effect of non-deductible expenses	**1,955**	2,216
Tax effect of non-taxable income	**(1,906)**	(6,594)
Tax effect of different tax rates of subsidiaries	**(4,569)**	(1,073)
Tax effect of unrecognised temporary differences	**767**	63
Tax effect of utilisation of tax losses not recognised previously	**(548)**	(293)
Tax effect of unused tax losses not recognised	**838**	5,348
Prior years under/(over)-provision	**183**	(290)
Others	**(321)**	362
Actual tax expense	**1,895**	825

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

(ii) The provision for Hong Kong Profits Tax for 2014 is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the year.

(iii) Hing Lee Ideas Limited, a subsidiary incorporated in Malaysia, is subject to Company Income Tax in Malaysia. No provision for 2014 (2013: 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 2014 (2013: 25%).

8. OTHER COMPREHENSIVE (LOSS)/INCOME

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

	2014			2013		
	Before–tax amount	**Tax expense**	**Net-of-tax amount**	Before–tax amount	Tax expense	Net-of-tax amount
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translation of financial statements of overseas subsidiaries	**(644)**	**–**	**(644)**	6,382	–	6,382
(Loss)/gain on fair value changes of available-for–sale investments	**(9)**	**–**	**(9)**	2	–	2
Other comprehensive (loss)/income	**(653)**	**–**	**(653)**	6,384	–	6,384

9. 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$28,120,000 (2013: HK$4,547,000) and the weighted average number of 730,474,381 (2013 (restated): 727,196,025) ordinary shares in issue during the year, adjusted retrospectively to reflect the effect of bonus issue on 28 October 2014 (see note 13(ii)).

The calculation of diluted earnings per share is based on the profit attributable to equity shareholders of the Company of HK$28,120,000 (2013: HK$4,547,000) and the weighted average number of 738,240,809 (2013 (restated): 727,196,025) ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2014	2013 (Restated)
Weighted average number of ordinary shares at 31 December	**730,474,381**	727,196,025
Effect of deemed issue of shares under the Company's share option scheme	**7,766,428**	–
Weighted average number of ordinary shares (diluted) at 31 December	**738,240,809**	727,196,025

10. SEGMENT REPORTING

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

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

Upholstered furniture: Design, manufacture, sale and marketing of sofa and bed mattresses

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

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

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments for the years ended 31 December 2014 and 2013 is set out below:

	2014				2013			
	Panel furniture *HK$'000*	**Upholstered furniture** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*	Panel furniture *HK$'000*	Upholstered furniture *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	**501,365**	**105,716**	**–**	**607,081**	543,003	134,294	–	677,297
Inter-segment revenue	**–**	**2,694**	**–**	**2,694**	–	6,291	–	6,291
Reportable segment revenue	**501,365**	**108,410**	**–**	**609,775**	543,003	140,585	–	683,588
Reportable segment profit	**35,101**	**1,264**	**–**	**36,365**	5,611	1,879	–	7,490
Interest income	**–**	**–**	**519**	**519**	–	–	347	347
Interest expense	**–**	**–**	**(4,511)**	**(4,511)**	–	–	(4,670)	(4,670)
Depreciation and amortisation	**(16,090)**	**(2,030)**	**(620)**	**(18,740)**	(15,888)	(1,935)	–	(17,823)
Other material non–cash items:								
Impairment of trade receivables, net	**(1,250)**	**56**	**–**	**(1,194)**	(307)	(198)	–	(505)
Write-down of inventories, net	**(4,910)**	**585**	**–**	**4,325**	(2,301)	(1,128)	–	(3,429)
Reportable segment assets	**619,634**	**67,879**	**67,573**	**755,086**	636,413	83,156	49,622	769,191
Additions to non-current assets	**12,156**	**285**	**874**	**13,315**	21,227	1,994	–	23,221
Reportable segment liabilities	**310,920**	**26,985**	**5,810**	**343,715**	359,941	27,989	7,272	395,202

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

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Reportable segment revenue	**609,775**	683,588
Elimination of inter-segment revenue	**(2,694)**	(6,291)
Consolidated revenue	**607,081**	677,297
Profit or loss		
Reportable segment profit	**36,365**	7,490
Other income	**5,066**	4,364
Unallocated amounts:		
Interest expense	**(4,511)**	(4,670)
Other head office and corporate expenses	**(3,610)**	(605)
Consolidated profit before taxation	**33,310**	6,579
Assets		
Reportable segment assets	**687,513**	719,569
Available-for-sale investments*	**64**	70
Derivative financial instruments*	**114**	–
Current tax recoverable	**253**	69
Unallocated head office and corporate assets	**67,142**	49,483
Consolidated total assets	**755,086**	769,191
Liabilities		
Reportable segment liabilities	**337,905**	387,930
Current taxation	**1,803**	551
Unallocated head office and corporate liabilities	**4,007**	6,721
Consolidated total liabilities	**343,715**	395,202

* Assets managed on a group basis

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, 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.

	2014		2013	
	Revenues from external customers	**Specified non-current assets**	Revenues from external customers	Specified non-current assets
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Asia (excluding the PRC)	**127,124**	**1,096**	177,845	791
Europe	**14,203**	**–**	15,601	–
PRC	**399,099**	**409,944**	423,390	417,291
The United States	**52,786**	**–**	47,228	–
Others	**13,869**	**–**	13,233	–
	607,081	**411,040**	677,297	418,082

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

(d) Major customers

There is no single customer with whom transactions have exceeded 10% of the Group's revenues in 2014 and 2013.

11. TRADE AND OTHER RECEIVABLES

	2014	2013
	HK$'000	*HK$'000*
Trade debtors and bills receivable	**51,541**	62,195
Less: allowance for doubtful debts (note 11(b))	**(6,682)**	(6,050)
	44,859	56,145
Deposits paid for purchase of property, plant and equipment	**2,625**	2,643
Deposits paid to suppliers	**40,522**	31,855
Value added tax recoverable	**15,365**	17,931
Other deposits, prepayments and receivables	**19,666**	19,710
	78,178	72,139
	123,037	128,284

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$1,335,000 (2013: HK$1,158,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

At 31 December 2014, the carrying amount of the trade debtors, which have been executed by a deed of charge, is HK$3,000,000 (2013: HK$3,000,000) and the carrying amount of the associated liability is HK$nil (2013: HK$nil).

(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:

	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**37,842**	47,041
3 to 6 months	**2,970**	4,355
6 to 9 months	**2,636**	4,170
9 months to 1 year	**324**	198
Over 1 year	**1,087**	381
	44,859	56,145

Trade debtors and bills receivable are non-interest bearing and are normally due within 30 to 90 days from the date of billing.

(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.

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

	2014	2013
	HK$'000	*HK$'000*
At 1 January	**6,050**	5,412
Exchange realignment	**(562)**	176
Impairment loss recognised	**1,194**	505
Uncollectible amounts written off	**–**	(43)
At 31 December	**6,682**	6,050

At 31 December 2014, the Group's trade debtors and bills receivable of HK$6,682,000 (2013: HK$6,050,000) 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.

(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:

	2014	2013
	HK$'000	*HK$'000*
Neither past due nor impaired	**40,392**	44,042
Less than 3 months past due	**2,699**	2,999
3 to 6 months past due	**522**	4,355
6 months to 1 year past due	**507**	4,368
More than 1 year past due	**739**	381
	4,467	12,103
	44,859	56,145

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.

12. TRADE AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade creditors and bills payable	**222,193**	215,811
Accrued charges	**21,151**	35,013
Accrued interest	**–**	71
Receipts in advance	**22,494**	24,008
Payables for purchase of property, plant and equipment	**2,257**	8,055
Other payables	**6,233**	15,901
	52,135	83,048
	274,328	298,859
Non-current portion of payables for purchase of property, plant and equipment classified as non-current liabilities	**–**	(3,881)
	274,328	294,978

All trade and other payables, except for those balances classified as non-current liabilities, 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:

	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**122,567**	141,913
3 months to 1 year	**88,487**	71,884
Over 1 year	**11,139**	2,014
	222,193	215,811

13. SHARE CAPITAL

(i) Authorised and issued share capital

		2014		2013	
	Note	**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 and 31 December		**1,000,000,000**	**10,000**	1,000,000,000	10,000
Issued and fully paid:					
At 1 January		**242,398,675**	**2,424**	242,398,675	2,424
Issues of bonus shares	13(ii)	**484,797,350**	**4,848**	–	–
Shares issued under share option scheme	13(iii)	**19,300,000**	**193**	–	–
At 31 December		**746,496,025**	**7,465**	242,398,675	2,424

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

(ii) 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.

(iii) Shares issued under share option scheme

During the year ended 31 December 2014, options were exercised to subscribe for 19,300,000 ordinary shares in the Company at a consideration of HK$7,778,000 (2013: HK$nil).

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

Exercisable period	Exercise price *(Remarks (i))*	**2014 Number**	2013 Number *(Remarks (i))*
23 December 2009 to 30 December 2016	0.3549	**–**	22,480,050
23 December 2009 to 30 December 2017	0.3549	**–**	4,496,010
5 May 2012 to 4 May 2014	0.6000	**–**	12,000,000
3 April 2014 to 31 December 2016	0.4030	**40,700,000**	–
11 June 2014 to 31 December 2016	0.4310	**60,000,000**	–
20 June 2014 to 31 December 2016	0.4900	**12,000,000**	–
		112,700,000	38,976,060

Remarks (i): The exercise price and the outstanding number of share options as at 31 December 2013 are adjusted to reflect the effect of bonus issue (see note 13(ii)).

Each option entitles the holder to subscribe for one ordinary share in the Company.

14. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2014

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 2014 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 2010-2012 Cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 Cycle[1]
Amendments to HKFRSs	Annual improvements to HKFRSs 2012-2014 Cycle[2]
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation[2]
HKFRS 9	Financial instruments[3]
HKFRS 15	Revenue from contracts with customers[4]

1 Effective for annual periods beginning on or after 1 July 2014.
2 Effective for annual periods beginning on or after 1 January 2016.
3 Effective for annual periods beginning on or after 1 January 2018.
4 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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

While the global economic conditions remained volatile and complicated in the year ended 31 December 2014, the Group has put its best effort to re-assess and adjust its operating strategies and made good progress in various parts of the business to build for a sustainable growth for the future.

Many newly built home units were smaller in size, which continue to lead to a drop in demand for large size classical furniture and resulted in diminished turnover from panel furniture segment in 2014. During the year under review, the Group has allocated more resources to the R&D of new products (i.e. smaller size furniture) in response to the market changes.

The Group continued its business growth strategy to increase its market shares by expanding its PRC domestic sales network to third and fourth tier cities, expanding its production capacity, strengthening its R&D capabilities, and diversifying its product offerings.

During the year under review, the Group has re-assessed its product ranges and the prices of its existing product mix, and has decided dropped some product lines which are not profitable. In addition, the Group has launched new products that cater for the needs of its customers. As a result, despite the decrease in turnover by 10.4%, the Group made a profit attributable to equity shareholders of approximately HK$28.1 million (2013: HK$4.5 million), an increase of 524.4% when compared with the year 2013.

FINANCIAL REVIEW

Turnover

The Group's turnover decreased by approximately 10.4% from about HK$677.3 million for the year ended 31 December 2013 to HK$607.1 million for the year ended 31 December 2014. The decrease in turnover during the year was due to the decreases in domestic sales and export sales of 5.7% and 18.1% respectively. The decrease in the domestic sales during the year was a result of the Group's strategy to drop some unprofitable product lines, while the decrease in export sales was a result of weak global economic conditions as well as the product price adjustments made by the Group.

Gross Profit

During the year under review, the Group's gross profit margin increased by 4 percentage point to 22.7% (31 December 2013: 18.7%). The improvement in the gross profit was a result of increase in price of our products, improvement in the product mix as well as the effective cost-saving measures introduced during the year.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK$55.3 million for the year ended 31 December 2014, against about HK$67.0 million for the year ended 31 December 2013. The decrease in selling and distribution expenses was a result of the stringent and effective control in promotional costs, the decrease in transportation costs and export expenses as a result of the decrease in export sales.

Administrative Expenses

For the year ended 31 December 2014, the Group's administrative expenses were approximately HK$49.5 million against about HK$52.7 million for the year ended 31 December 2013. Despite the general increase in costs in PRC, our administrative expenses remained relatively stable. This was mainly attributable to the 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 2014 was approximately HK$28.1 million (2013: HK$4.5 million).

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2014, the Group employed approximately 1,700 employees (2013: approximately 1,750). Salaries are reviewed annually and discretionary bonuses are paid on annual basis with reference to individual performance appraisals, inflation and prevailing market condition. Other benefits available to eligible employees include retirement benefits and medical insurance schemes. Share options may also be granted to eligible employees of the Group and other eligible participants.

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$67.6 million as at 31 December 2014 (31 December 2013: HK$98.6 million).

As at 31 December 2014, the Group had bank borrowings amounting to HK$67.4 million (31 December 2013: HK$95.8 million). As at the same date, the gearing ratio (total debt/total equity) was 0.8 (31 December 2013: 1.1).

As at 31 December 2014, the current ratio (current assets/current liabilities) was 1.0 (31 December 2013: 1.0) and the net current assets amounted to HK$2.6 million (31 December 2013: HK$3.3 million).

The ageing analysis of trade creditors and bills payable and the maturity profiles of bank borrowings are set out in the notes to the consolidated financial statements of the annual report to be published by the Company.

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities is set out in Note 10 of this annual results announcement.

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

CHARGE OF ASSETS

As at 31 December 2014, 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$32.4 million; (vi) guarantees from the Government of the HKSAR under the Special Loan Guarantee Scheme and the SME Loan Guarantee Scheme of HK$6.2 million.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year under review, the Group did not have any significant investment and acquisition or disposal of subsidiaries and associated companies. However, in order to centralize the management and operation of the panel wood furniture business and hence enhance the efficiency of the Group, the Group is planning to build an office building in Shenzhen. It is intended that the construction costs will be funded by internal resources of the Group.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group had no significant contingent liabilities.

PROSPECTS

Restrained from a number of factors including the slowdown of both internal consumption and external trade as well as the adjustment of property market, macro-economic indicators of China during the Year 2014 (particularly the magnitude of the increase in GDP , which was the lowest in the past 24 years had been declining). Given the prevailing situation, the fact that Chinese economy will experience slower growth has again been depicted.

For furniture industry, both challenges and opportunities exist in the Year 2015. Favorable national policies are expected to stimulate the property market, especially for the upstream real estate market, and therefore it is foreseeable that the furniture industry has a more positive outlook than the Year 2014. 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.

The Group will monitor the change of market demand for new business development and explore segments with high growth potentials. In the new economic era, technological advancement and the ever-increasing purchasing power have shortened the replacement period of products. In light of this, the Group believes that new products can revitalize its operation and therefore facilitate its sustainable development, and the Group will continue to introduce new products which are in line with market demand. Besides, the Group will take the initiative to enhance its brand image and foster a first-class corporate culture. Despite the rising in labour cost, the Group is eager to make reasonable adjustment in the allocation of human resources so that the company structure will not be too complicated and ineffective. The Group will enlarge its sales network, strengthen its collaboration with dealers and explore new strategic partners for collaboration to consolidate its market position.

During March 2015, the Group participated in various furniture fairs in Mainland China. All those activities attained satisfactory response. In particular, in the 30th Shenzhen International Furniture Exhibition (SIFE), the Group showcased its new products for its own brands namely "**Aomax**", "**Oriant**" and "**Johnston**", that combine characteristics such as innovative design, quality and high-cost-performance. These new products received overwhelming response from the Group's existing and prospective distributors. Based on the information available to the Group, no fewer than 200 retail stores are proposed be opened by the distributors in Year 2015 for these new products. Meanwhile, the Group plans to review its store management system and its product mix in Year 2015 to further improve its performances.

For Year 2015, 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.

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the "Audit Committee") has three members comprising Mr. Kong Hing Ki (Chairman), Mr. Sun Jian, and Ms. Shao Hanqing, all being independent non-executive Directors. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2014.

DIVIDENDS

Interim dividend of HK0.47 cents (2013: Nil) and a special dividend of HK1.03 cents (2013: Nil) (both adjusted to reflect the bonus issue during the year) per share was declared and paid during the year. The Board recommend the payment of a final dividend of HK0.56 cents per share (2013: Nil) to the shareholders whose names appear on the register of members of the Company as at the close of business on 22 May 2015. The final dividend will be payable on 29 May 2015 and is subject to the approval of shareholders of the Company in the forthcoming annual general meeting.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 21 May 2015 to 22 May 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the final dividend, all transfers of Shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712- 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 20 May 2015.

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.

PUBLICATION OF ANNUAL RESULTS AND 2014 ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2014 will be despatched to the Shareholders and published on both websites in due course.

By Order of the Board of
Hing Lee (HK) Holdings Limited
Sung Kai Hing
Chairman and Chief Executive Officer

Hong Kong, 27 March 2015

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Sung Kai Hing and Mr. Cheung Kong Cheung and three independent non-executive Directors, namely Mr. Sun Jian, Ms. Shao Hanqing and Mr. Kong Hing Ki.

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