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

興利

2014
ANNUAL REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Director

Mr. Fang Yan Zau, Alexander
(resigned on 26 March 2014)

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

The Hongkong and Shanghai Banking
Corporation 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

Financial Summary

(Expressed in Hong Kong dollars)

Consolidated Statement of Profit or Loss

	Year ended 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Turnover	**607,081**	677,297	604,595	633,008	506,693
Cost of sales	**(469,491)**	(550,767)	(505,790)	(486,786)	(383,583)
Gross profit	**137,590**	126,530	98,805	146,222	123,110
Other net income	**5,066**	4,364	5,407	6,733	3,551
Selling and distribution expenses	**(55,331)**	(66,995)	(85,741)	(62,203)	(45,819)
Administrative expenses	**(49,504)**	(52,650)	(50,987)	(39,678)	(32,737)
Profit/(loss) from operation	**37,821**	11,249	(32,516)	51,074	48,105
Finance costs	**(4,511)**	(4,670)	(4,513)	(2,437)	(2,635)
Profit/(loss) before taxation	**33,310**	6,579	(37,029)	48,637	45,470
Income tax	**(1,895)**	(825)	(1,677)	(2,914)	(5,170)
Profit/(loss) for the year	**31,415**	5,754	(38,706)	45,723	40,300
Attributable to:					
Equity shareholders of the Company	**28,120**	4,547	(40,520)	41,418	40,003
Non-controlling interests	**3,295**	1,207	1,814	4,305	297
Profit/(loss) for the year	**31,415**	5,754	(38,706)	45,723	40,300

Assets and Liabilities

	As at 31 December				
	2014	2013	2012	2011	2010
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Non-current assets	**411,104**	418,152	402,792	368,952	218,997
Current assets	**343,982**	351,039	322,402	367,676	298,779
Current liabilities	**341,400**	347,695	320,933	328,928	208,182
Net current assets	**2,582**	3,344	1,469	38,748	90,597
Total assets less current liabilities	**413,686**	421,496	404,261	407,700	309,594
Non-current liabilities	**2,315**	47,507	42,410	–	8,532
Net assets	**411,371**	373,989	361,851	407,700	301,062
Total equity attributable to equity shareholders of the Company	**399,065**	364,960	354,368	399,311	301,062

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 2014 ("Year 2014").

For Year 2014, stagnant economic growth and price deflation have caused the furniture industry in China into deep adjustment period. In addition, the effect of greater periodic spending in Fall ("Golden Nine Silver Ten") was below anticipation this year. Despite these unfavorable factors effecting the industry during the past year, the Group adjusted its operating strategies and achieved satisfactory results in various parts of the business.

For Year 2014, the Group has furthered its foothold in innovation and taken advantage of its unique business philosophy to consolidate its market position in fierce competition. Also, it recorded a significant increase in profit, which was mainly attributable to the growth of gross profit margin resulting from the refinement of product structure, segmentation and the enrichment of product variety, as well as the increase in selling price. The well-diversified product which the Group offered has proven to successfully satisfy market demands, which not only helped the Group stand out from the economic adversity but also enlarged its business and thereby attracted more consumers.

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 will 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

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 to drop 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.

Please refer to Note 30 to the consolidated financial statements of this annual report for the financial risk management of the Group. 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 Notes 23 and 24 to the consolidated financial statements of this annual report.

SEGMENT INFORMATION

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

FOREIGN CURRENCY RISK

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily 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.

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.

BOARD OF DIRECTORS

Composition of the Board

The Board members of the Company currently are:

Executive directors:

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

Non-executive director:

Mr. Fang Yan Zau, Alexander (resigned on 26 March 2014)

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 21 to 23 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 2014.

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 2014, 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

During the year, 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 2014. 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. Fang Yan Zau, Alexander (resigned on 26 March 2014)	1	1
Mr. Sun Jian	4	4
Ms. Shao Hanqing	4	3
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, 2014 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 2014 is summarized as follows:–

Directors	**Type of continuous professional development training**
Executive Directors	
Sung Kai Hing	A,B
Cheung Kong Cheung	A,B
Non-Executive Director	
Fang Yan Zau, Alexander (resigned on 26 March 2014)	A,B
Independent Non-Executive Directors	
Sun Jian	A,B
Shao Hanqing	A,B
Kong Hing Ki	A,B

Note:

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	1
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 2014 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**
Mr. Sun Jian	1	1
Ms. Shao Hanqing	1	1
Mr. Kong Hing Ki	1	1

Details of the remuneration of each Director for 2014 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 2014 is within the following bands:

	Number of individuals	
	2014	2013
Nil – HK$1,000,000	**4**	4
HK$1,000,001 – HK$1,500,000	**2**	3
HK$1,500,001 – HK$2,000,000	**1**	–

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

NOMINATION COMMITTEE

The Company has set up a Nomination Committee with written terms of reference which are in compliance with 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 2014, 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.

One meeting was held during the year ended 31 December 2014 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	Meetings of the Nomination Committee 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 2014. For the year ended 31 December 2014, 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 2014. The attendance record of the Directors at such meeting is set out below:

Directors	**Attendance**
Executive Directors	
Sung Kai Hing	1
Cheung Kong Cheung	1
Non-Executive Director	
Fang Yan Zau, Alexander *(resigned on 26 March 2014)*	–
Independent Non-Executive Directors	
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.

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

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

SHAREHOLDERS' RIGHTS

(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.

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 2014.

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 2014 and this Annual Report are published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.hingleehk.com.hk.

DIRECTORS AND SENIOR MANAGEMENT

Executive Director

Mr. Sung Kai Hing (宋啟慶先生), aged 58, 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 19 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 53, is an Executive Director and one of the founders of the Group and he has over 19 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 50, 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 15 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 77, 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 44, 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 18 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), 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 60, 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 24 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 57, 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 19 years of experience in the furniture industry. He was appointed as a part-time instructor with specialisation in sales and marketing strategies and brand development at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as 中南林學院 (Central South Forestry University)) since 2004.

Mr. Wu Guo Long (吳國龍先生), aged 40, 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 14 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 35, 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 52, 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 15 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.

Mr. Tse Kin Hung (謝建雄先生), aged 42, is the financial controller of the Group. He is responsible for the financial and accounting matters of the Group. He is a fellow member of the Association of Chartered Certified Accountants and a practising certificate holder of the Hong Kong Institute of Certified Public Accountants. Mr. Tse has over 15 years of experience in finance, auditing and accounting. Prior to joining the Group in 2008, Mr. Tse worked for Moores Rowland, Pacific CMA, Inc. and Kaisa Group Holdings Ltd (stock code 1638), a company whose shares are listed on the Main Board of the Stock Exchange. Mr. Tse graduated from Hong Kong Polytechnic University with a bachelor's degree in business studies in 1996.

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Wong Kit Wai (黃杰偉先生), aged 45, 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 14 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 2014.

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

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.

RESULTS

The results of the Group for the year ended 31 December 2014 are set out in the consolidated statement of profit or loss on page 38 of this annual report.

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.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2014 are set out in Note 14 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the Company's paid up capital for the year ended 31 December 2014 are set out in Note 29 to the consolidated financial statements in this annual report.

PRE-IPO SHARE OPTION SCHEME

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

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

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

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

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

The vesting period of the options granted under the Pre-IPO Share Option Scheme is determined by reference to the outstanding vesting period of the replaced options granted under the 2006 Scheme, but no option granted under the Pre-IPO Share Option Scheme will be exercisable within the first six months after the Listing Date. Details of the vesting period and expiry date of the options granted under the Pre-IPO Share Option Scheme are set out in the prospectus of the Company dated 9 June 2009 (the "Prospectus").

Certain Directors and employees of the Group were granted share options to subscribe for Shares at the exercise price of HK$1.0647 per Share under the Pre-IPO Share Option Scheme. Details of the share options movements during the year ended 31 December 2014 under the Pre-IPO Share Option Scheme are as follows:

	Number of share options						
Name	**Outstanding share options granted under the Pre-IPO Share Option Scheme as at 1 January 2014**	**Date of grant**	**Granted during the year**	**Exercised during the year**	**Cancelled/ Lapsed during the year**	**Outstanding share options granted under the Pre-IPO Share Option Scheme as at 31 December 2014**	**Exercise period**
Directors of the Company							
Mr. Sung Kai Hing	1,498,670	29 May 2009	–	–	1,498,670	–	23/12/2009 – 30/12/2016
Mr. Cheung Kong Cheung	1,498,670	29 May 2009	–	–	1,498,670	–	23/12/2009 – 30/12/2016
Mr. Sun Jian	374,667	29 May 2009	–	–	374,667	–	23/12/2009 – 19/6/2017
	187,334		–	–	187,334	–	20/6/2010 – 19/6/2017
	187,334		–	–	187,334	–	20/6/2011 – 19/6/2017
Other employees							
In aggregate	3,746,675	29 May 2009	–	–	3,746,675	–	23/12/2009 – 30/12/2016
	374,667		–	–	374,667	–	23/12/2009 – 19/6/2017
	374,668		–	–	374,668	–	31/12/2009 – 30/12/2016
	374,667		–	–	374,667	–	31/12/2010 – 30/12/2016
	187,334		–	–	187,334	–	20/6/2010 – 19/6/2017
	187,334		–	–	187,334	–	20/6/2011 – 19/6/2017
Total	8,992,020		–	–	8,992,020	–	

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

As a result of the unconditional mandatory cash offer made by King Right Holdings Limited which was completed on 12 February 2014, all the outstanding share options granted under the Pre-IPO Share Option Scheme as mentioned above have lapsed and determined on 6 February 2014.

As at the date of this report, there is no outstanding option granted under the Pre-IPO Share Option Scheme, and the Pre-IPO Share Option Scheme is determined.

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 28 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 (excluding the share options granted under the Pre-IPO Share Option Scheme) must not, in aggregate, exceed 10% of the issued share capital of the Company as at the Share Option refreshment date on 16 May 2014, such 10% being equivalent to 24,239,867 Shares. As at the date of this report, options for the subscription of 239,867 Shares (representing approximately 0.03% 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.

Options for the subscription of 132,000,000 Shares have been granted to certain Directors and employees of the Group under the Share Option Scheme. Details of the share options movements during the year ended 31 December 2014 under the Share Option Scheme are as follows:

	Number of share options						
Name	**Outstanding share options granted under the Share Option Scheme as at 1 January 2014**	**Date of grant**	**Granted during the period**	**Exercised during the period**	**Cancelled/ Lapsed during the period**	**Outstanding share options granted under the Share Option scheme as at 31 December 2014**	**Exercise period**
Directors of the Company							
Mr. Sung Kai Hing	750,000	5 May 2011①	–	–	750,000	–	5/5/2012 – 4/5/2014
	750,000	5 May 2011①	–	–	750,000	–	1/1/2013 – 4/5/2014
	–	2 April 2014②	3,600,000	3,600,000	–	–	3/4/2014 – 31/12/2016
	–	2 April 2014②	3,600,000	–	–	3,600,000	3/4/2015 – 31/12/2016
Mr. Cheung Kong Cheung	750,000	5 May 2011①	–	–	750,000	–	5/5/2012 – 4/5/2014
	750,000	5 May 2011①	–	–	750,000	–	1/1/2013 – 4/5/2014
	–	2 April 2014②	3,600,000	3,600,000	–	–	3/4/2014 – 31/12/2016
	–	2 April 2014②	3,600,000	–	–	3,600,000	3/4/2015 – 31/12/2016
Mr. Sun Jian	–	2 April 2014②	3,000,000	1,000,000	–	2,000,000	3/4/2014 – 31/12/2016
Ms. Shao Hanqing	–	2 April 2014②	900,000	900,000	–	–	3/4/2014 – 31/12/2016
Mr. Kong Hing Ki	–	2 April 2014②	900,000	900,000	–	–	3/4/2014 – 31/12/2016
Other participants							
In aggregate	500,000	5 May 2011①	–	–	500,000	–	5/5/2012 – 4/5/2014
	500,000	5 May 2011①	–	–	500,000	–	1/1/2013 – 4/5/2014
	–	2 April 2014②	30,000,000	9,300,000	–	20,700,000	3/4/2014 – 31/12/2016
	–	2 April 2014②	10,800,000	–	–	10,800,000	3/4/2015 – 31/12/2016
	–	10 June 2014③	30,000,000	–	–	30,000,000	11/6/2014 – 31/12/2016
	–	10 June 2014③	30,000,000	–	–	30,000,000	11/6/2015 – 31/12/2016
	–	19 June 2014④	6,000,000	–	–	6,000,000	20/6/2014 – 31/12/2016
	–	19 June 2014④	6,000,000	–	–	6,000,000	20/6/2015 – 31/12/2016
Total	4,000,000		132,000,000	19,300,000	4,000,000	112,700,000	

Notes:

① The exercise price of the options granted on 5 May 2011 under the Share Option Scheme as set out above is HK$1.80 per Share. The closing price of the Shares immediately before the date of grant of such options was HK$1.60 per share. As a result of the unconditional mandatory cash offer made by King Right Holdings Limited which was completed on 12 February 2014, all the outstanding share options granted under the Share Option Scheme as mentioned above have lapsed and determined on 6 February 2014.

② 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.

③ 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.

④ 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.

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 29 to the financial statements in this annual report.

DISTRIBUTABLE RESERVES

As at 31 December 2014, the Company's reserves available for distribution, calculated in accordance with the provisions of the Companies Act 1981 of Bermuda, amounted to HK$147.2 million.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 22.7% of the total sales for Year 2014 and sales to the largest customer included therein amounted to 9.8%. Purchases from the Group's five largest suppliers accounted for approximately 19.6% of the total purchase for Year 2014 and purchase from the Group's largest supplier included therein amounted to 6.1%.

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

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

Executive directors:

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

Non-executive director:

Mr. Fang Yan Zau, Alexander (appointed on 28 July 2006, and resigned on 26 March 2014)

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 directors 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. Cheung Kong Cheung and Ms. Shao Hanqing will end at the forthcoming annual general meeting. All of the above Directors, being eligible, will offer themselves for re-election at the Annual General Meeting.

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

Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company for a period of two years commencing from 22 June 2013.

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 21 to 23 in this annual report.

INTERESTS OF DIRECTORS IN CONTRACTS

During the year ended 31 December 2014, none of the Directors had a material interest, whether directly or indirectly, in any contract of significance to which the Company or any of its subsidiaries or affiliates was a party.

DIRECTORS' INTEREST IN COMPETING BUSINESS

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

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

As at 31 December 2014, 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	262,506,777	35.17%
Mr. Cheung Kong Cheung *(note 2)*	Beneficial owner and Interest of a controlled corporation	58,440,465	7.83%

Notes:

1. The 3,600,000 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.

2. The 3,600,000 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 2014, 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 2014
Mr. Sung Kai Hing	2 April 2014	HK$0.403	3 April 2015 to 31 December 2016	3,600,000
Mr. Cheung Kong Cheung	2 April 2014	HK$0.403	3 April 2015 to 31 December 2016	3,600,000
Mr. Sun Jian	2 April 2014	HK$0.403	3 April 2014 to 31 December 2016	2,000,000
				9,200,000

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

As a result of the unconditional mandatory cash offer made by King Right Holdings Limited which was completed on 12 February 2014, all the outstanding share options as mentioned above have lapsed and determined on 6 February 2014.

Save as disclosed above, as at 31 December 2014, 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 2014, 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	34.68	1
Ms. Wong Wai King	Family interests	262,506,777	35.17	1
Top Prospect International Limited ("Top Prospect")	Beneficial owner	79,098,000	10.6	2
Mr. Yuan Han Xiang	Interest of a controlled corporation	79,098,000	10.6	2
United Sino Limited ("United Sino")	Beneficial owner	54,840,465	7.35	3
Ms. Li Xin	Family interests	58,440,465	7.83	3
Golden Sunday Limited ("Golden Sunday")	Beneficial owner	54,840,465	7.35	4
Mr. Chan Kwok Kin	Beneficial owner and Interest of a controlled corporation	58,440,465	7.83	4
Ms. Ho Fung Ying	Family interests	58,440,465	7.83	4
Top Right Trading Limited ("Top Right")	Beneficial owner	51,586,293	6.91	5
Mr. Huang Wei Ye	Beneficial owner and Interest of a controlled corporation	55,186,293	7.39	5
Ms. Ye Jian Qun	Family interests	55,186,293	7.39	5

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

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

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

5. Top Right 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.

Unconditional mandatory cash offer

As disclosed in the composite offer and response document of the Company dated 22 January 2014 (the "Composite Document") and announcement of the Company dated 19 December 2013, the Board was informed by Triple Express Enterprises Limited (the "Vendor") and King Right Holdings Limited (the "Offeror") that the Vendor and the Offeror entered into the sale and purchase agreement dated 11 December 2013 (the "Sale and Purchase Agreement"). Pursuant to the terms of the Sale and Purchase Agreement, the Offeror conditionally agreed to acquire and the Vendor conditionally agreed to sell 67,964,104 Shares of the Company (the "Sale Shares") for an aggregate cash consideration of HK$69,323,386.08, equivalent to HK$1.02 per Sale Share. Completion of the transaction took place on 23 December 2013 and the Offeror became the controlling shareholder of the Company.

Upon completion, the Offeror was required to make the unconditional mandatory general offers in cash for all the issued shares and outstanding convertible securities of the Company other than those already owned by the Offeror and parties acting in concert with it at HKD1.02 each ("Share Offer") and to cancel all outstanding Pre-IPO Options and Options.

Pursuant to the announcement of the Company dated 12 February 2014, the Offeror received valid acceptances in respect of a total of 58,000 shares under the Share Offer; and that all outstanding Pre-IPO Options and Options have lapsed and determined on 6 February 2014.

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 2014 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 9 to 20 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 2012, 2013 and 2014 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, 27 March 2015

Independent Auditor's Report

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 112, which comprise the consolidated and company statements of financial position as at 31 December 2014, 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 cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 27 March 2015
Lo Wing See
Practising certificate number P04607

Consolidated statement of profit or loss

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

	Note	2014 HK$'000	2013 HK$'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	10	**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	12		
– Basic		**3.85**	0.63
– Diluted		**3.81**	0.63

The notes on pages 46 to 112 form part of the consolidated financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 29(b).

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)	*11*		
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

The notes on pages 46 to 112 form part of the consolidated financial statements.

Consolidated statement of financial position

as at 31 December 2014
(Expressed in Hong Kong dollars)

	Note	**2014** **HK$'000**	2013 HK$'000
Non-current assets			
Property, plant and equipment	*14*	**311,203**	316,929
Prepaid lease payments	*15*	**47,717**	49,033
Goodwill	*16*	**52,120**	52,120
Available-for-sale investments	*18*	**64**	70
		411,104	418,152
Current assets			
Prepaid lease payments	*15*	**1,150**	1,154
Inventories	*19*	**119,403**	120,381
Trade and other receivables	*20*	**123,037**	128,284
Derivative financial instruments	*21*	**114**	–
Current tax recoverable	*26(a)*	**253**	69
Pledged bank deposits	*22*	**32,407**	2,588
Cash and cash equivalents	*22*	**67,618**	98,563
		343,982	351,039
Current liabilities			
Trade and other payables	*23*	**274,328**	294,978
Current portion of bank borrowings	*24*	**65,269**	52,166
Current taxation	*26(a)*	**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	*23*	**–**	3,881
Non-current portion of bank borrowings	*24*	**2,155**	43,626
Provision for long service payments	*25*	**160**	–
		2,315	47,507
NET ASSETS		**411,371**	373,989

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Consolidated statement of financial position

as at 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 HK$'000	2013 HK$'000
CAPITAL AND RESERVES	*29(c)*		
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

Approved and authorised for issue by the board of directors on 27 March 2015.

Director *Director*

The notes on pages 46 to 112 form part of the consolidated financial statements.

Statement of financial position

as at 31 December 2014
(Expressed in Hong Kong dollars)

	Note	2014 HK$'000	2013 HK$'000
Non-current assets			
Investments in subsidiaries	17	**156**	156
Current assets			
Dividend receivable from a subsidiary	17	**61,175**	61,175
Amount due from a subsidiary	17	**99,694**	103,551
Cash and cash equivalents	22	**2,942**	388
		163,811	165,114
Current liabilities			
Other payables and accrued charges	23	**1,047**	1,508
Net current assets		**162,764**	163,606
NET ASSETS		**162,920**	163,762
CAPITAL AND RESERVES	29		
Share capital		**7,465**	2,424
Reserves		**155,455**	161,338
TOTAL EQUITY		**162,920**	163,762

Approved and authorised for issue by the board of directors on 27 March 2015.

Director *Director*

The notes on pages 46 to 112 form part of the consolidated financial statements.

Consolidated statement of changes in equity

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

		Attributable to equity shareholders of the Company											
		Share capital	Share premium	Exchange reserve	Statutory reserve fund	Merger reserve	Share option reserve	Fair value reserve	Capital reserve	Retained profits	Total	Non-controlling interests	Total equity
		(note 29(c))	(note 29(d)(i))	(note 29(d)(ii))	(note 29(d)(iii))	(note 29(d)(iv))	(note 29(d)(v))	(note 29(d)(vi))	(note 29(d)(vii))				
	Note	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Balance at 1 January 2013		2,424	141,505	40,203	9,597	25,430	8,798	13	(6,486)	132,884	354,368	7,483	361,851
Changes in equity for 2013:													
Profit for the year		–	–	–	–	–	–	–	–	4,547	4,547	1,207	5,754
Other comprehensive income	11	–	–	6,043	–	–	–	2	–	–	6,045	339	6,384
Total comprehensive income for the year		–	–	6,043	–	–	–	2	–	4,547	10,592	1,546	12,138
Transfer on lapse of share options		–	–	–	–	–	(3,646)	–	–	3,646	–	–	–
Appropriation of reserve		–	–	–	272	–	–	–	–	(272)	–	–	–
Balance at 31 December 2013 and 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	11	–	–	(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	28	–	–	–	–	–	9,750	–	–	–	9,750	–	9,750
Dividends approved in respect of current year	29(b)	–	–	–	–	–	–	–	–	(10,908)	(10,908)	–	(10,908)
Issues of bonus shares	29c(ii)	4,848	(4,848)	–	–	–	–	–	–	–	–	–	–
Shares issued under share option scheme	29c(iii)												
– 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		7,465	145,745	45,620	10,576	25,430	8,247	6	(6,486)	162,462	399,065	12,306	411,371

The notes on pages 46 to 112 form part of the consolidated financial statements.

Consolidated cash flow statement

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

	Note	2014 HK$'000	2013 HK$'000
Operating activities			
Profit before taxation		**33,310**	6,579
Adjustments for:			
Amortisation of prepaid lease payments	6(c)	**1,145**	1,137
Depreciation of property, plant and equipment	6(c)	**17,595**	16,686
Dividend income from available-for-sale investments	5	**(3)**	(3)
Write-down of inventories, net		**4,325**	3,429
Impairment of trade receivables, net	6(c)	**1,194**	505
Fair value losses on derivative financial instruments	6(c)	**82**	–
Realised losses on derivative financial instruments, net	5	**9**	–
Interest expense	6(a)	**4,511**	4,670
Interest income	5	**(519)**	(347)
Loss on disposal of property, plant and equipment, net	6(c)	**107**	287
Equity-settled share-based payment transactions		**9,750**	–
Provision for long service payments	25	**160**	–
Operating profit before changes in working capital		**71,666**	32,943
Increase in inventories		**(3,755)**	(1,758)
Decrease/(increase) in trade and other receivables		**3,719**	(32,631)
(Decrease)/increase in trade and other payables		**(17,752)**	41,907
Cash generated from operations		**53,878**	40,461
Interest received		**519**	347
Interest paid		**(4,511)**	(4,867)
Hong Kong Profits Tax paid		**(180)**	(701)
PRC Enterprises Income Tax paid		**(650)**	(858)
Net cash generated from operating activities		**49,056**	34,382
Investing activities			
Purchase of derivative financial instruments		**(354)**	–
Proceeds from disposal of derivative financial instruments		**149**	–
Increase in pledged bank deposits		**(29,829)**	(1,023)
Increase in time deposits with maturity over three months		**(22,744)**	–
Purchase of property, plant and equipment		**(19,130)**	(9,558)
Proceeds from disposal of property, plant and equipment		**201**	271
Net cash used in investing activities		**(71,707)**	(10,310)

Consolidated cash flow statement

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

	Note	2014 HK$'000	2013 HK$'000
Financing activities			
Proceeds from shares issued under share option scheme	*29(a)*	**7,778**	–
Proceeds from new bank borrowings		**56,098**	49,358
Repayment of bank borrowings		**(84,263)**	(70,010)
Dividends paid	*29(b)*	**(10,908)**	–
Net cash used in financing activities		**(31,295)**	(20,652)
Net (decrease)/increase in cash and cash equivalents		**(53,946)**	3,420
Cash and cash equivalents at beginning of the year		**98,563**	93,392
Effect of foreign exchange rate changes		**257**	1,751
Cash and cash equivalents at end of the year	*22*	**44,874**	98,563

The notes on pages 46 to 112 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 17 to the consolidated financial statements.

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

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance, 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"). 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 2014 comprise the Company and its subsidiaries (together referred to as 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 investment (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.

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

(d) 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)).

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)).

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

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of assets (continued)

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

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.

– 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of assets (continued)

(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.

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).

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Impairment of assets (continued)

(ii) Impairment of other assets (continued)

– Reversals of impairment losses

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

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

(j) Trademarks and patents

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

(k) Inventories

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(m) Interest-bearing borrowings

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

(n) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with note 2(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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Employee benefits (continued)

(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 obligations 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 a 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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Equity-settled share-based payment transactions (continued)

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).

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Income tax (continued)

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

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

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

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

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

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

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

  – the same taxable entity; or

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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

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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(s) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities (continued)

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.

(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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Revenue recognition (continued)

(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.

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 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.

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(v) Borrowing costs (continued)

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.

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

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

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

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

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

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

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

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

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

2 SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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 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, 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:

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

(b) Staff costs

	2014 HK$'000	2013 HK$'000
Directors' remuneration (note 8)	**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 HK$'000	2013 HK$'000
Auditor's remuneration		
– audit services	**977**	831
– other services	**–**	240
Amortisation of prepaid lease payments	**1,145**	1,137
Cost of inventories sold #(note 19(b))	**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 **HK$'000**	2013 HK$'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 **HK$'000**	2013 HK$'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 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 78 of Schedule 11 to the new Hong Kong Companies Ordinance (Cap. 622), with reference to section 161 of the predecessor Hong Kong Companies Ordinance (Cap. 32) 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	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	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**	–	**17**	15	**539**	–	**1,588**	1,017
Cheung Kong Cheung	**1,002**	1,002	**30**	–	**17**	15	**539**	–	**1,588**	1,017
Non-executive directors										
Fang Yan Zau, Alexander (resigned on 26 March 2014)	**25**	100	**-**	–	**-**	–	**-**	–	**25**	100
Independent non-executive directors										
Sun Jian	**100**	100	**-**	–	**-**	–	**232**	–	**332**	100
Shao Hanqing	**100**	100	**-**	–	**-**	–	**70**	–	**170**	100
Kong Hing Ki	**100**	100	**-**	–	**-**	–	**70**	–	**170**	100
	2,329	2,404	**60**	–	**34**	30	**1,450**	–	**3,873**	2,434

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 28.

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

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2013: two) are directors whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the other three (2013: three) individuals are as follows:

	2014 HK$'000	2013 HK$'000
Salaries, allowances and benefits in kind	**3,228**	3,358
Retirement scheme contributions	**64**	60
Share-based payments	**1,618**	–
	4,910	3,418

The emoluments of the three (2013: three) individuals with the highest emoluments are within the following bands:

	2014 Number of individuals	2013 Number of individuals
HK$1,000,001 to HK$1,500,000	**2**	3
HK$1,500,001 to HK$2,000,000	**1**	–

10 PROFIT ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY

The consolidated profit attributable to equity shareholders of the Company includes a loss of HK$7,462,000 (2013: HK$1,253,000), which has been dealt with in the financial statements of the Company.

11 OTHER COMPREHENSIVE (LOSS)/INCOME

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

	2014			2013		
	Before-tax amount HK$'000	**Tax expense HK$'000**	**Net-of-tax amount HK$'000**	Before-tax amount HK$'000	Tax expense HK$'000	Net-of-tax amount HK$'000
Exchange differences on translation of financial statements of overseas subsidiaries	**(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

(Expressed in Hong Kong dollars)

12 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 29(c)(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 (note 28)	**7,766,428**	–
Weighted average number of ordinary shares (diluted) at 31 December	**738,240,809**	727,196,025

13 SEGMENT REPORTING

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

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

However, 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.

13 SEGMENT REPORTING (continued)

(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

13 SEGMENT REPORTING (continued)

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

	2014 HK$'000	2013 HK$'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

13 SEGMENT REPORTING (continued)

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, 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 HK$'000	**Specified non-current assets HK$'000**	Revenues from external customers HK$'000	Specified non-current assets HK$'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.

14 PROPERTY, PLANT AND EQUIPMENT

The Group

	Buildings HK$'000	Leasehold improvements HK$'000	Motor vehicles HK$'000	Office equipment HK$'000	Plant and machinery HK$'000	Construction in progress HK$'000	Total HK$'000
Cost							
At 1 January 2013	219,313	2,857	5,802	21,421	93,174	3,079	345,646
Exchange realignment	6,881	90	111	655	2,955	97	10,789
Additions	–	241	217	3,329	3,920	15,514	23,221
Disposals	–	(635)	(437)	(53)	(1,497)	–	(2,622)
At 31 December 2013	226,194	2,553	5,693	25,352	98,552	18,690	377,034
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
Accumulated depreciation							
At 1 January 2013	6,391	1,917	3,310	5,881	26,200	–	43,699
Exchange realignment	265	61	(55)	221	954	–	1,446
Charge for the year	4,358	419	937	2,614	8,358	–	16,686
Written back on disposals	–	(438)	(297)	(59)	(932)	–	(1,726)
At 31 December 2013	11,014	1,959	3,895	8,657	34,580	–	60,105
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
Net book value							
At 31 December 2014	210,044	414	2,254	15,796	59,492	23,203	311,203
At 31 December 2013	215,180	594	1,798	16,695	63,972	18,690	316,929

At 31 December 2014, the Group had pledged its buildings and construction in progress with carrying value of HK$233,247,000 (2013: HK$233,870,000) to secure general banking facilities granted to the Group (note 24).

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

15 PREPAID LEASE PAYMENTS

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

	The Group
	HK$'000
Cost	
At 1 January 2013	55,923
Exchange realignment	1,755
At 31 December 2013	57,678
At 1 January 2014	57,678
Exchange realignment	(195)
At 31 December 2014	57,483
Accumulated amortisation	
At 1 January 2013	6,144
Exchange realignment	210
Charge for the year	1,137
At 31 December 2013	7,491
At 1 January 2014	7,491
Exchange realignment	(20)
Charge for the year	1,145
At 31 December 2014	8,616
Net book value	
At 31 December 2014	48,867
At 31 December 2013	50,187

15 PREPAID LEASE PAYMENTS (continued)

An analysis for reporting purposes is as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Current portion	**1,150**	1,154
Non-current portion	**47,717**	49,033
	48,867	50,187

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 2014, the Group had pledged its leasehold land with carrying value of HK$48,867,000 (2013: HK$50,187,000) to secure general banking facilities granted to the Group (note 24).

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

16 GOODWILL

	The Group
	HK$'000
Cost	
At 1 January 2013, 31 December 2013, 1 January 2014 and 31 December 2014	52,120
Carrying amount	
At 31 December 2014	52,120
At 31 December 2013	52,120

16 GOODWILL (continued)

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:

	2014	2013
	HK$'000	HK$'000
Upholstered furniture	**52,120**	52,120

The recoverable amount of the CGU is determined based on value in use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a 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:

	2014	2013
Gross margin	**24%**	16%
Growth rate	**4%**	5%
Discount rate	**5%**	4%

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 2014 and 2013, management of the Group determined that there are no impairments of any of its CGU containing goodwill.

17 INVESTMENTS IN AND ACCOUNTS WITH SUBSIDIARIES

	The Company	
	2014	2013
	HK$'000	HK$'000
Unlisted shares, at cost	**156**	156
Dividend receivable from a subsidiary	**61,175**	61,175
Amount due from a subsidiary	**99,694**	103,551

The balances with a subsidiary are unsecured, interest-free and have no fixed terms of repayment.

Details of the Group's subsidiaries as at 31 December 2014 and 2013 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 2014	2013	Principal activity
Directly held by the Company					
Great Ample Holdings Limited (i)	BVI	20,001 shares of US$1 each	**100%**	100%	Investment holding
Indirectly held through subsidiaries					
Glory Skill Investments Limited (i)	BVI	2,961 shares of US$1 each	**100%**	100%	Investment holding
Springrich Investments Limited (i)	BVI	1 share of US$1	**100%**	100%	Investment holding
Success Profit International Limited (i)	BVI	10,001 shares of US$1 each	**100%**	100%	Investment holding
Hing Lee (China) Company Limited ("Hing Lee (China)")	Hong Kong	18,010,000 shares of HK$1 each	**100%**	100%	Investment holding and provision of management services
Hing Lee Furniture Company Limited ("Hing Lee Furniture")	BVI	1 share of US$1	**100%**	100%	Trading of furniture
Sharp Motion Worldwide Limited (i)	BVI	4 shares of US$1 each	**100%**	100%	Trademark holding/licensing
Hing Lee Ideas Limited (i)	Malaysia	1 share of US$1	**100%**	100%	Dormant

(Expressed in Hong Kong dollars)

17 INVESTMENTS IN AND ACCOUNTS WITH 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 2014	2013	Principal activity
Hong Kong Hing Lee Furniture Group Limited (formerly known as "Renowned Idea Group Limited") (i)	BVI	1 share of US$1	**100%**	100%	Dormant
Hing Lee Furniture Group Limited	Hong Kong	3 shares of HK$1 each	**100%**	100%	Trading of furniture
Hander International Limited	Hong Kong	100 shares of HK$1 each	**100%**	100%	Investment holding
Hanmix Limited	Hong Kong	1 share of HK$1	**100%**	100%	Investment holding
Astromax Investment Limited ("Astromax") (i)	BVI	100 shares of US$1 each	**60%**	60%	Investment holding
City Leading Limited ("City Leading")	Hong Kong	1 share of HK$1	**60%**	60%	Trading of sofa
深圳興利尊典家具有限公司 (Shenzhen Xingli Zundian Furniture Company Limited) (i)(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) (i)(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) (i)(ii)	PRC	US$1,680,000	**100%**	100%	Manufacture and sale of bed mattresses
深圳歐羅家具有限公司 (Shenzhen Ouluo Furniture Company Limited) (i)(ii)	PRC	RMB8,500,000	**60%**	60%	Manufacture and sale of sofa

17 INVESTMENTS IN AND ACCOUNTS WITH SUBSIDIARIES (continued)

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 and its subsidiaries, City Leading and Shenzhen Ouluo (together, the "Astromax Group"), which has material non-controlling interest ("NCI"). The summarised financial information of the Astromax Group presented below represents the amounts before any inter-company elimination with the Group.

	2014	2013
	HK$'000	HK$'000
NCI percentage	**40%**	40%
Current assets	**33,529**	40,423
Non-current assets	**1,826**	2,471
Current liabilities	**(4,591)**	(20,322)
Net assets	**30,764**	22,572
Carrying amount of NCI	**12,306**	9,029
Revenue	**84,440**	79,975
Profit for the year	**8,236**	3,017
Total comprehensive income	**8,192**	3,864
Profit allocated to NCI	**3,295**	1,207
Cash flows (used in)/generated from operating activities	**(4,373)**	7,782
Cash flows used in investing activities	**(286)**	(930)
Cash flows used in financing activities	**–**	–

18 AVAILABLE-FOR-SALE INVESTMENTS

	The Group	
	2014	2013
	HK$'000	HK$'000
Listed equity investments, at market value		
– Hong Kong	**64**	70

19 INVENTORIES

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Raw materials	**17,597**	17,662
Work in progress	**21,922**	21,825
Finished goods	**77,505**	71,825
Goods in transit	**2,379**	9,069
	119,403	120,381

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

	The Group	
	2014	2013
	HK$'000	HK$'000
Carrying amount of inventories sold	**465,166**	547,338
Write-down of inventories	**5,049**	5,123
Reversal of write-down of inventories	**(724)**	(1,694)
	469,491	550,767

20 TRADE AND OTHER RECEIVABLES

	The Group	
	2014	2013
	HK$'000	HK$'000
Trade debtors and bills receivable	**51,541**	62,195
Less: allowance for doubtful debts (note 20(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$3,000,000) (note 24) and the carrying amount of the associated liability is HK$nil (2013: HK$nil).

20 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:

	The Group	
	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. Further details on the Group's credit policy are set out in note 30(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:

	The Group	
	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.

20 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:

	The Group	
	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.

21 DERIVATIVE FINANCIAL INSTRUMENTS

	The Group	
	2014	2013
	HK$'000	HK$'000
Foreign currency forward contracts	**114**	–

At 31 December 2014, 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)**
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 counterparty broker. All fair value changes were recognised in profit or loss.

22 CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deposits with banks	**25,108**	9,209	**–**	–
Cash at banks and on hand	**74,917**	91,942	**2,942**	388
	100,025	101,151	**2,942**	388
Pledged bank deposits	**(32,407)**	(2,588)	**–**	–
Cash and cash equivalents in the statement of financial position	**67,618**	98,563	**2,942**	388
Time deposits with terms over three months	**(22,744)**	–		
Cash and cash equivalents in the consolidated cash flow statement	**44,874**	98,563		

23 TRADE AND OTHER PAYABLES

	The Group		The Company	
	2014	2013	**2014**	2013
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade creditors and bills payable	**222,193**	215,811	**–**	–
Accrued charges	**21,151**	35,013	**1,047**	1,508
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	**1,047**	1,508
	274,328	298,859	**1,047**	1,508
Non-current portion of payables for purchase of property, plant and equipment classified as non-current liabilities	**–**	(3,881)	**–**	–
	274,328	294,978	**1,047**	1,508

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:

	The Group	
	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

24 BANK BORROWINGS

The carrying amounts of bank borrowings are analysed as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Bank loans – secured	**67,424**	86,052
Trust receipt loans – secured	**–**	9,740
	67,424	95,792

	The Group	
	2014	2013
	HK$'000	HK$'000
Current portion		
Due within 1 year	**65,269**	45,966
Due after 1 year which contain a repayment on demand clause	**–**	6,200
	65,269	52,166
Non-current portion	**2,155**	43,626
	67,424	95,792

At 31 December 2014, bank borrowings are repayable as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Within 1 year	**65,269**	45,966
After 1 year but within 2 years	**2,155**	47,664
After 2 years but within 5 years	**–**	2,162
	2,155	49,826
	67,424	95,792

24 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 30(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 14);

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

(iii) deed of charge over receivables of HK$3,000,000 (2013: HK$3,000,000) (note 20);

(iv) an assignment of export credit insurance corporation policies of HK$5,000,000 (2013: HK$5,000,000);

(v) pledged bank deposits of the Group (note 22); and

(vi) guarantees from the Government of the HKSAR under the Special Loan Guarantee Scheme and the SME Loan Guarantee Scheme of HK$6,200,000 (2013: HK$13,400,000).

At 31 December 2014, the Group's banking facilities amounted to HK$142,582,000 (2013: HK$200,709,000). The facilities were utilised to the extent of HK$67,424,000 (2013: HK$95,792,000).

All of the Group's banking facilities are subject to the fulfilment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group was to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 30(b). At 31 December 2014 and 2013, none of the covenants relating to drawn down facilities had been breached.

25 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:

	The Group	
	2014	2013
	HK$'000	HK$'000
At 1 January	**–**	–
Amount charged to profit or loss	**160**	–
At 31 December	**160**	–

26 INCOME TAX IN THE STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the statement of financial position

(i) Current tax recoverable represents:

	The Group	
	2014	2013
	HK$'000	HK$'000
Hong Kong Profits Tax recoverable	**253**	69

(ii) Current taxation represents:

	The Group	
	2014	2013
	HK$'000	HK$'000
Hong Kong Profits Tax payable	**8**	–
PRC Enterprise Income Tax payable	**1,795**	551
	1,803	551

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

(b) Deferred taxation

At 31 December 2014, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK$84,095,000 (2013: HK$83,660,000) 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$72,773,000 (2013: HK$71,878,000) will expire within 5 years and the remaining tax losses of HK$11,322,000 (2013: HK$11,782,000) have no expiry date under the current tax legislation.

At 31 December 2014, the Group has unrecognised deferred tax liabilities of HK$2,799,000 (2013: HK$2,409,000) in relation to withholding tax on undistributed earnings of HK$55,990,000 (2013: HK$48,185,000) 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 2014, the Company does not have any other material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2013: HK$nil), and therefore, no provision for deferred tax has been made.

27 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.

28 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.

28 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.

(Expressed in Hong Kong dollars)

28 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:

	Number of options	Period during which options are exercisable	Contractual life of options	Tranche
Options to directors:				
– replaced on 29 May 2009	11,240,025	23 December 2009 to 20 June 2017	8.1 years	N/A
– granted on 5 May 2011	9,000,000	5 May 2012 to 4 May 2014	3.0 years	N/A
– granted on 2 April 2014	4,800,000	3 April 2014 to 31 December 2016	2.8 years	1
– granted on 2 April 2014	7,200,000	3 April 2014 to 31 December 2016	2.8 years	2
– granted on 2 April 2014	7,200,000	3 April 2015 to 31 December 2016	2.8 years	3
Options to employees:				
– replaced on 29 May 2009	15,736,035	23 December 2009 to 20 June 2017	8.1 years	N/A
– granted on 5 May 2011	3,000,000	5 May 2012 to 4 May 2014	3.0 years	N/A
– granted on 2 April 2014	19,200,000	3 April 2014 to 31 December 2016	2.8 years	1
– granted on 2 April 2014	10,800,000	3 April 2014 to 31 December 2016	2.8 years	2
– granted on 2 April 2014	10,800,000	3 April 2014 to 31 December 2016	2.8 years	3
– granted on 10 June 2014	27,000,000	11 June 2014 to 31 December 2016	2.6 years	4
– granted on 10 June 2014	27,000,000	11 June 2015 to 31 December 2016	2.6 years	5

(Expressed in Hong Kong dollars)

28 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)

	Number of options	Period during which options are exercisable	Contractual life of options	Tranche
– granted on 19 June 2014	6,000,000	20 June 2014 to 31 December 2016	2.5 years	6
– granted on 19 June 2014	6,000,000	20 June 2015 to 31 December 2016	2.5 years	7
Options to consultants:				
– granted on 10 June 2014	3,000,000	11 June 2014 to 31 December 2016	2.6 years	4
– granted on 10 June 2014	3,000,000	11 June 2014 to 31 December 2016	2.6 years	5
Total share options granted	170,976,060			

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

	2014		2013	
	Weighted average exercise price HK$	**Number of share options**	Weighted average exercise price HK$	Number of share options
Outstanding at the beginning of the year	**0.4304**	**38,976,060**	0.4513	74,976,060
Granted during the year	**0.4252**	**132,000,000**	–	–
Exercised during the year	**0.4030**	**(19,300,000)**	–	–
Lapsed during the year	**0.4304**	**(38,976,060)**	0.4740	(36,000,000)
Outstanding at the end of the year	**0.4272**	**112,700,000**	0.4304	38,976,060
Exercisable at the end of the year	**0.4262**	**58,700,000**	0.4304	38,976,060

The share price at the date of exercise for share options exercised during the year was HK$0.54 (2013: not applicable).

The options outstanding at 31 December 2014 had an exercise price of HK$0.4030 to HK$0.4900 (2013 (restated): HK$0.3549 to HK$0.6000) and a weighted average remaining contractual life of 2.0 years (2013: 2.2 years).

(Expressed in Hong Kong dollars)

28 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.

	Date of grant						
	2 April 2014			10 June 2014		19 June 2014	
Tranche	1	2	3	4	5	6	7
Fair value at measurement date	0.0773	0.0780	0.0960	0.0803	0.1090	0.0937	0.1240
Share price	0.4033	0.4033	0.4033	0.4300	0.4300	0.4767	0.4767
Exercise price	0.4033	0.4033	0.4033	0.4307	0.4307	0.4900	0.4900
Expected volatility (expressed as weighted average volatility used in the modelling under binominal lattice model)	45%	45%	45%	52%	52%	54%	54%
Option life (expressed as weighted average volatility used in the modelling of binominal lattice model)	2.8 years	2.8 years	2.8 years	2.6 years	2.6 years	2.5 years	2.5 years
Expected dividends	0.86%	0.86%	0.86%	0.86%	0.86%	0.86%	0.86%
Risk free interest rate (based on Hong Kong Exchange Fund Notes)	0.74%	0.74%	0.74%	0.56%	0.56%	0.59%	0.59%

The number of options, exercise price of the options, weighted average share price at the date of exercise for the options, share price and fair value at date of grant of the options as disclosed in (c) and (d) above are adjusted to reflect the effect of bonus issue (see note 29(c)(ii)).

29 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Movement in components of equity

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

The Company

	Note	Share capital HK$'000	Share premium HK$'000	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
Balance at 1 January 2013		2,424	141,505	8,798	12,288	165,015
Loss and total comprehensive loss for the year		–	–	–	(1,253)	(1,253)
Transfer on lapse of share options		–	–	(3,646)	3,646	–
Balance at 31 December 2013 and 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	*28*	–	–	9,750	–	9,750
Dividends approved in respect of current year	*29(b)*	–	–	–	(10,908)	(10,908)
Issues of bonus shares	*29(c)(ii)*	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		7,465	145,745	8,247	1,463	162,920

29 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Dividends

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

	2014 HK$'000	2013 HK$'000
Interim dividend declared and paid of HK 0.47 cents per ordinary share, adjusted to reflect the effect of bonus issue (See note 29(c)(ii)) (2013: Nil)	3,394	–
Special dividend declared and paid of HK 1.03 cents per ordinary share, adjusted to reflect the effect of bonus issue (See note 29(c)(ii)) (2013: Nil)	7,514	–
Final dividend proposed after the end of the reporting period of HK 0.56 cents per ordinary share (2013: Nil)	4,180	–
	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.

(c) Share capital

(i) Authorised and issued share capital

	Note	2014 Number of ordinary shares of HK$0.01 each	2014 Amount HK$'000	2013 Number of ordinary shares of HK$0.01 each	2013 Amount HK$'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	29(c)(ii)	484,797,350	4,848	–	–
Shares issued under share option scheme	29(c)(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.

(Expressed in Hong Kong dollars)

29 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Share capital (continued)

(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	2014 Number (Remarks (i))	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 29(c)(ii)).

Each option entitles the holder to subscribe for one ordinary share in the Company. Further details of these options are set out in note 28 to the consolidated financial statements.

29 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Nature and purpose of reserves

(i) Share premium

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

(ii) Exchange reserve

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

(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.

29 SHARE CAPITAL, RESERVES AND DIVIDENDS (continued)

(e) Distributability of reserves

At 31 December 2014, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$147,208,000 (2013: HK$156,186,000), being the aggregate of the share premium and retained profits of the Company. The Company's share premium account in the amount of HK$145,745,000 (2013: HK$141,505,000) may be distributed in the form of fully paid bonus shares only.

(f) Capital management

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

The capital structure of the Group consists of available-for-sale investments disclosed in note 18, derivative financial instruments in note 21, cash and cash equivalents disclosed in note 22, secured bank loans disclosed in note 24 and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and retained profits as disclosed in the consolidated statement of changes in equity.

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

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

30 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 statement of financial position.

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

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

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

(b) Liquidity risk (continued)

	2014					2013				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
The Group										
Trade and other payables	**251,834**	**251,834**	**251,834**	**-**	**-**	274,851	274,851	270,970	3,881	–
Bank borrowings	**67,424**	**69,355**	**67,181**	**2,174**	**-**	95,792	100,668	74,289	26,361	18
	319,258	**321,189**	**319,015**	**2,174**	**-**	370,643	375,519	345,259	30,242	18
The Company										
Other payables and accrued charges	**1,047**	**1,047**	**1,047**	**-**	**-**	1,508	1,508	1,508	–	–

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.

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

(b) Liquidity risk (continued)

	2014					2013				
	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Carrying amount HK$'000	Total contractual undiscounted cash flow HK$'000	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000
The Group										
Trade and other payables	251,834	251,834	251,834	-	-	274,851	274,851	270,970	3,881	–
Bank borrowings	67,424	69,355	67,181	2,174	-	95,792	100,668	49,901	48,587	2,180
	319,258	321,189	319,015	2,174	-	370,643	375,519	320,871	52,468	2,180
The Company										
Other payables and accrued charges	1,047	1,047	1,047	-	-	1,508	1,508	1,508	–	–

(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 22 and 24.

30 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.

	2014		2013	
	Effective interest rate	**HK$'000**	Effective interest rate	HK$'000
Fixed rate deposits:				
Bank deposits	**3.00%**	**22,744**	2.70%	6,621
Variable rate deposits:				
Bank deposits	**0.35%**	**62,145**	0.36%	79,566
Variable rate borrowings:				
Bank borrowings	**5.53%**	**(67,424)**	4.46%	(95,792)
Net variable rate borrowings		**(5,279)**		(16,226)
Net deposits/(borrowings)		**17,465**		(9,605)

(ii) Sensitivity analysis

At 31 December 2014, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by approximately HK$44,000 (2013: HK$135,000).

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 2013.

30 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 and the Company's exposure at the end of the reporting period to foreign currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the operations to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period.

	The Group					
	2014			2013		
	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	**-**	**3**	**15,923**	129	–	11,991
Derivative financial instruments	**-**	**-**	**114**	–	–	–
Cash and cash equivalents	**1,313**	**25,470**	**3,300**	3,623	9,949	2,661
Trade and other payables	**-**	**-**	**(1,143)**	–	–	(1,266)
Bank borrowings	**(3,400)**	**-**	**-**	(21,200)	–	–
Net exposure arising from recognised assets/(liabilities)	**(2,087)**	**25,473**	**18,194**	(17,448)	9,949	13,386

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

(d) Foreign currency risk (continued)

	The Company	
	2014	2013
	Denominated in Renminbi HK$'000	Denominated in Renminbi HK$'000
Cash and cash equivalents	**143**	144
Net exposure arising from recognised assets	**143**	144

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 18) as the amount involved is not material to the Group.

(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

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

(f) Fair value measurement (continued)

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

Fair value hierarchy (continued)

	The Group							
	Fair value measurements as at 31 December 2014 categorised into				Fair value measurements as at 31 December 2013 categorised into			
	Level 1	**Level 2**	**Level 3**	**Total**	Level 1	Level 2	Level 3	Total
	HK$'000	**HK$'000**	**HK$'000**	**HK$'000**	HK$'000	HK$'000	HK$'000	HK$'000
Assets								
Recurring fair value measurements								
Available-for-sale investments	**64**	**-**	**-**	**64**	70	–	–	70
Derivative financial instruments	**114**	**-**	**-**	**114**	–	–	–	–

(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.

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

(g) Offsetting financial assets and financial liabilities

Financial assets

The following financial assets are subject to offsetting agreements:

As at 31 December 2014	**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**
Derivative financial assets	**8,122**	**(8,008)**	**114**

As at 31 December 2013	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
Derivative financial assets	–	–	–

31 COMMITMENTS

(a) Capital commitments outstanding at 31 December 2014 not provided for in the consolidated financial statements are as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Contracted for:		
– Construction of factory building	**47,536**	53,615
– Purchase of property, plant and equipment	**1,573**	1,057
	49,109	54,672
Authorised but not contracted for:		
– Construction of factory building	**72,727**	121,646
– Purchase of property, plant and equipment	**–**	7,717
	72,727	129,363

(b) At 31 December 2014, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group	
	2014	2013
	HK$'000	HK$'000
Within 1 year	**6,200**	6,257
After 1 year but within 5 years	**2,906**	6,909
	9,106	13,166

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.

32 CONTINGENT LIABILITIES

	The Company	
	2014	2013
	HK$'000	HK$'000
Corporate guarantees given and utilised	**6,200**	36,140

At 31 December 2014, the Company provided corporate guarantees to the following subsidiaries:

(a) Hing Lee Furniture in relation to banking facilities to the extent of HK$62,000,000 (2013: HK$62,000,000) of which HK$3,400,000 (2013: HK$30,940,000) was utilised;

(b) City Leading in relation to banking facilities to the extent of HK$27,000,000 (2013: HK$8,000,000) of which none (2013: none) was utilised;

(c) Hing Lee (China) in relation to banking facilities to the extent of HK$12,000,000 (2013: HK$12,000,000) of which HK$2,800,000 (2013: HK$5,200,000) was utilised; and

(d) Hing Lee Furniture Group Limited in relation to banking facilities to the extent of HK$4,000,000 (2013: HK$4,000,000) of which none (2013: 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.

33 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

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

	2014	2013
	HK$'000	HK$'000
Short-term employee benefits	**5,617**	5,762
Post-employment benefits	**98**	90
Share-based payments	**3,068**	–
	8,783	5,852

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

33 MATERIAL RELATED PARTY TRANSACTIONS (continued)

(b) Balances with related parties

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

34 EVENTS AFTER THE REPORTING PERIOD

After the reporting period, the directors proposed a final dividend. Further details are disclosed in note 29(b).

35 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

(i) Impairment of goodwill

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

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

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

35 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(iii) Useful lives of property, plant and equipment

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

(iv) Net realisable value of inventories

Inventories are carried at the lower of cost and net realisable value. The cost of inventories is written down to net realisable value when there is an objective evidence that the cost of inventories may not be recoverable. The cost of inventories may not be recovered if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may not also be recoverable if the estimated costs to be incurred to make the sales have increased. The amount written off to the 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.

(Expressed in Hong Kong dollars)

36 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.