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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)

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
IN RELATION TO
THE ACQUISITION OF 40% OF THE ISSUED SHARE CAPITAL IN
ASTROMAX INVESTMENT LIMITED**

Acquisition of 40% of the issued share capital of Astromax Investment Limited

On 26 May 2015, the Company and the Purchaser (being a wholly-owned subsidiary of the Company) entered into the following agreements:-

- the 1st Agreement with the 1st Vendor, pursuant to which the Purchaser has agreed to acquire, and the 1st Vendor has agreed to sell, the 1st Sale Shares (being 20% of the issued share capital in Astromax); and
- the 2nd Agreement with the 2nd Vendor, pursuant to which the Purchaser has agreed to acquire, and the 2nd Vendor has agreed to sell, the 2nd Sale Shares (being 20% of the issued share capital in Astromax).

The consideration payable for each of the 1st Acquisition and the 2nd Acquisition is HK\$16,500,000, of which 30% of the consideration (that is HK\$4,950,000) will be satisfied by cash within 7 days after the signing of the 1st Agreement and the 2nd Agreement respectively and the remaining balance of the consideration (that is HK\$11,550,000) will be paid to each of the Vendors within 30 days after the signing of the 1st Agreement and the 2nd Agreement respectively. Completion of the Acquisitions took place upon the signing of the Agreements.

After Completion, the Purchaser currently holds the entire issued share capital of Astromax, which indirectly holds 100% equity interest in the WFOE through City Leading.

The WFOE is principally engaged in manufacture and sale of sofas to overseas and in the PRC.

Implications under the Listing Rules

Prior to the Completion, as each of the Vendors was a substantial shareholder of Astromax (being a subsidiary of the Company), they were connected persons of the Company. The entering into of the Agreements between the Purchaser and the

Vendors therefore constitutes connected transactions for the Company under Chapter 14A of the Listing Rules. As the connected transactions are made between the Group and connected persons at the subsidiary level on normal commercial terms, the connected transactions are only subject to reporting and announcement, but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Acquisitions (after aggregation (if applicable)) are more than 5% but less than 25%, the Acquisitions constitute discloseable transactions for the Company and are subject to announcement requirement but exempt from the shareholders' approval requirement under the Listing Rules.

ACQUISITION OF 40% OF THE ISSUED SHARE CAPITAL OF ASTROMAX INVESTMENT LIMITED

On 26 May 2015, the Company and the Purchaser (being a wholly-owned subsidiary of the Company) entered into the following agreements:-

- the 1st Agreement with the 1st Vendor, pursuant to which the Purchaser has agreed to acquire, and the 1st Vendor has agreed to sell, the 1st Sale Shares (being 20% of the issued share capital in Astromax); and
- the 2nd Agreement with the 2nd Vendor, pursuant to which the Purchaser has agreed to acquire, and the 2nd Vendor has agreed to sell, the 2nd Sale Shares (being 20% of the issued share capital in Astromax).

THE 1ST AGREEMENT

The principal terms of the 1st Agreement are set out below:

Date: 26 May 2015

Parties: (a) The 1st Vendor, being Mr. Zhou Shao Xiang
(b) The Purchaser, being Great Ample Holdings Limited, a wholly-owned subsidiary of the Company

Assets to be acquired: The 1st Sale Shares, which represent 20% of the issued share capital of Astromax.

Consideration: The consideration payable for the 1st Acquisition is HK\$16,500,000, of which 30% (that is HK\$4,950,000) will be satisfied by cash within 7 days after the signing of the 1st Agreement and the remaining balance of the consideration (that is HK\$11,550,000) will be paid to the 1st Vendor within 30 days after the signing of the 1st Agreement.

The consideration was determined after arm's length negotiation between the 1st Vendor and the Purchaser based on normal commercial terms and with reference to the existing operating

results, earning capacity, further growth prospects, overall financial performance and the net asset value of the Target Group as at 31 December 2014.

Completion: Completion took place upon signing of the 1st Agreement.

THE 2ND AGREEMENT

The principal terms of the 2nd Agreement are set out below:

Date: 26 May 2015

Parties: (a) The 2nd Vendor, being Mr. Yuan Jing Chang
(b) The Purchaser, being Great Ample Holdings Limited, a wholly-owned subsidiary of the Company

Assets to be acquired: The 2nd Sale Shares, which represent 20% of the issued share capital of Astromax.

Consideration: The consideration payable for the 2nd Acquisition is HK\$16,500,000, of which 30% (that is HK\$4,950,000) will be satisfied by cash upon within 7 days after the signing of the 2nd Agreement and the remaining balance of the consideration (that is HK\$11,550,000) will be paid to the 2nd Vendor within 30 days after the signing of the 2nd Agreement.

The consideration was determined after arm's length negotiation between the 2nd Vendor and the Purchaser based on normal commercial terms and with reference to the existing operating results, earning capacity, further growth prospects, overall financial performance and the net asset value of the Target Group as at 31 December 2014.

Completion: Completion took place upon signing of the 2nd Agreement.

Upon Completion, members of the Target Group have become wholly-owned subsidiaries of the Company. The consideration for the Acquisitions will be funded by the internal resources of the Group.

INFORMATION ON THE TARGET GROUP

Astromax is a company incorporated in the British Virgin Islands on 2 July 2009 with limited liability. Before Completion, Astromax was an indirect non-wholly owned subsidiary of the Company, which was owned as to 60% by the Purchaser and as to 40% by the Vendors. The principal business of Astromax is investment holding and its principal asset as at the date hereof is its 100% shareholding in City Leading, which is an export trading company and an investment holding company holding 100% equity interest in the WFOE.

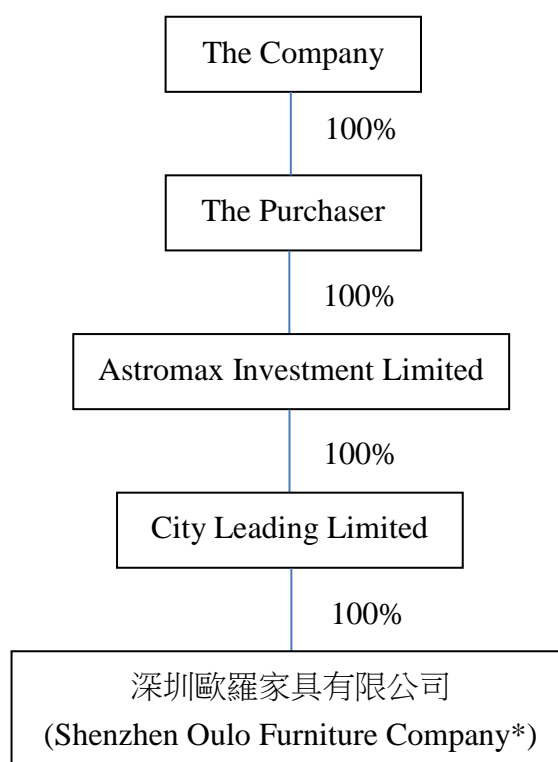
The WFOE is a wholly foreign-owned enterprise established in the PRC on 12 October 2005. The WFOE is principally engaged in the manufacture and sale of sofas to overseas and in the PRC.

The financial highlights of the Target Group are set out below:-

	For the year ended 31 December 2014 <i>(HK\$'000)</i>	For the year ended 31 December 2013 <i>(HK\$'000)</i>
Total assets value	52,622	41,718
Net assets	30,764	22,572
Audited profit before taxation and extraordinary items	8,535	3,058
Audited profit after taxation and extraordinary items	8,236	3,017

The original acquisition cost of the WFOE by the 1st Vendor and the 2nd Vendor is about HK\$2,050,000 each. After Completion, the Purchaser currently holds 100% of the issued share capital of Astromax, which indirectly holds 100% equity interest in the WFOE through City Leading. Effectively, upon Completion, the Purchaser holds a 100% indirect interest in the WFOE.

The shareholding structure of the Target Group immediately after the Acquisitions is as follows:



REASONS AND BENEFITS FOR THE ACQUISITIONS

The principal business activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture and mattresses and licensing of its own brands and product designs.

The Acquisitions would be beneficial to the Group as the Group can exert strong and consistent leadership in the development and execution of long term business strategies. In short run, the Acquisitions could increase the flexibility of the Group to adjust the product mix and marketing strategy and hence enhance the overall operational efficiency of the Target Group. In addition, the Acquisitions could enable the Group to further its share in the profit generated by the Target Group.

The Directors (including the independent non-executive Directors) consider that the terms of the Agreements have been made on normal commercial terms and are fair and reasonable and the Acquisitions are in the interest of the Company and the Shareholders as a whole. The Directors confirm that they do not have any material interest in the Acquisitions. Therefore, no Directors have abstained from voting on the board resolution for approving the Acquisitions.

IMPLICATIONS UNDER THE LISTING RULES

Prior to the Completion, as each of the Vendors was a substantial shareholder of Astromax (being a subsidiary of the Company), they were connected persons of the Company. The entering into of the Agreements between the Purchaser and the Vendors therefore constitutes connected transactions for the Company under Chapter 14A of the Listing Rules. As the connected transactions are made between the Group and connected persons at the subsidiary level on normal commercial terms, the connected transactions are only subject to reporting and announcement, but are exempt from the circular, independent financial advice and shareholders' approval requirements under Rule 14A.101 of Chapter 14A of the Listing Rules.

As the applicable percentage ratios in respect of the Acquisitions (after aggregation (if applicable)) are more than 5% but less than 25%, the Acquisitions constitute discloseable transactions for the Company and are subject to announcement requirement but exempt from the shareholders' approval requirement under the Listing Rules.

DEFINITIONS

In this announcement, the following terms shall have the meanings respectively set opposite them unless the context requires otherwise:-

“1 st Acquisition”	the acquisition of the 1 st Sale Shares
“1 st Agreement”	the sale and purchase agreement between the 1 st Vendor and the Purchaser in respect of the 1 st Acquisition dated 26 May 2015

“1 st Sale Shares”	20 ordinary shares of US\$1.00 each representing 20% of the issued share capital of Astromax, which are held by the 1 st Vendor prior to completion of the 1 st Acquisition
“1 st Vendor”	Mr. Zhou Shao Xiang (周紹祥), being a holder of 20 ordinary shares of US\$1.00 representing 20% of the issued share capital of Astromax prior to the completion of the 1 st Acquisition
“2 nd Acquisition”	the acquisition of the 2 nd Sale Shares
“2 nd Agreement”	the sale and purchase agreement between the 2 nd Vendor and the Purchaser in respect of the 2 nd Acquisition dated 26 May 2015
“2 nd Sale Shares”	20 ordinary shares of US\$1.00 each representing 20% of the issued share capital of Astromax, which are held by the 2 nd Vendor prior to completion of the 2 nd Acquisition
“2 nd Vendor”	Mr. Yuan Jing Chang (袁敬昌), being a holder of 20 ordinary shares of US\$1.00 each representing 20% of the issued share capital of Astromax prior to completion of the 2 nd Acquisition
“Acquisitions”	the 1 st Acquisition and the 2 nd Acquisition collectively
“Agreements”	the 1 st Agreement and the 2 nd Agreement collectively
“Astromax”	Astromax Investment Limited, a company incorporated in the British Virgin Islands, which is owned as to 60% by the Purchaser and as to 40% by the Vendors prior to Completion
“City Leading”	City Leading Limited, a company incorporated in Hong Kong on 18 December 2009 and wholly owned by Astromax, and is an export trading company and engaged in investment holding
“Company”	Hing Lee (HK) Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and was subsequently re-domiciled and continued in Bermuda with limited liability, whose shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Acquisitions
“Director(s)”	the directors of the Company

“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administration Region and Taiwan)
“Purchaser”	Great Ample Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company
“Share(s)”	ordinary share(s) of par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	registered holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Group”	Astromax, City Leading and the WFOE
“Vendors”	the 1 st Vendor and the 2 nd Vendor
“WFOE”	深圳歐羅家具有限公司(Shenzhen Oulo Furniture Company Limited*), a wholly foreign-owned enterprise incorporated in the PRC on 12 October 2005 and a wholly-owned subsidiary of City Leading

By order of the Board
Hing Lee (HK) Holdings Limited
Sung Kai Hing
Chairman

Hong Kong, 26 May 2015

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

** For identification purpose only*