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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2015

The board of directors (the “Board”) of Hing Lee (HK) Holdings Limited (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2015 with comparative figures for the corresponding year ended 31 December 2014.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2015

(Expressed in Hong Kong dollars)

	<i>Note</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Turnover	4	485,281	607,081
Cost of sales		<u>(374,102)</u>	<u>(469,491)</u>
Gross profit		111,179	137,590
Other net income	5	10,412	5,066
Selling and distribution expenses		(52,437)	(55,331)
Administrative expenses		<u>(49,355)</u>	<u>(49,504)</u>
Profit from operation		19,799	37,821
Finance costs	6(a)	<u>(3,479)</u>	<u>(4,511)</u>
Profit before taxation	6	16,320	33,310
Income tax	7	<u>(129)</u>	<u>(1,895)</u>
Profit for the year		<u>16,191</u>	<u>31,415</u>
Attributable to:			
Equity shareholders of the Company		16,713	28,120
Non-controlling interests		<u>(522)</u>	<u>3,295</u>
		<u>16,191</u>	<u>31,415</u>
		<i>HK cents</i>	<i>HK cents</i>
Earnings per share	8		
– Basic		<u>2.20</u>	<u>3.85</u>
– Diluted		<u>2.16</u>	<u>3.81</u>

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

for the year ended 31 December 2015

(Expressed in Hong Kong dollars)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

(Expressed in Hong Kong dollars)

	<i>Note</i>	2015 HK\$'000	2014 HK\$'000
Non-current assets			
Property, plant and equipment		283,345	311,203
Prepaid lease payments		43,851	47,717
Goodwill		52,120	52,120
Available-for-sale investments		57	64
		<u>379,373</u>	<u>411,104</u>
Current assets			
Prepaid lease payments		1,083	1,150
Inventories		71,869	119,403
Trade and other receivables	10	107,007	123,037
Derivative financial instruments		81	114
Current tax recoverable		10	253
Pledged bank deposits		12,227	32,407
Cash and cash equivalents		68,662	67,618
		<u>260,939</u>	<u>343,982</u>
Current liabilities			
Trade and other payables	11	201,654	274,328
Current portion of bank borrowings		37,067	65,269
Current taxation		250	1,803
		<u>238,971</u>	<u>341,400</u>
Net current assets		<u>21,968</u>	<u>2,582</u>
Total assets less current liabilities		<u>401,341</u>	<u>413,686</u>
Non-current liabilities			
Non-current portion of bank borrowings		–	2,155
Provision for long service payments		–	160
		<u>–</u>	<u>2,315</u>
NET ASSETS		<u>401,341</u>	<u>411,371</u>
CAPITAL AND RESERVES			
Share capital	12	8,061	7,465
Reserves		393,280	391,600
		<u>401,341</u>	<u>399,065</u>
Total equity attributable to equity shareholders of the Company		<u>401,341</u>	<u>399,065</u>
Non-controlling interests		<u>–</u>	<u>12,306</u>
TOTAL EQUITY		<u>401,341</u>	<u>411,371</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY INFORMATION

Hing Lee (HK) Holdings Limited (the “Company”) was incorporated in the British Virgin Islands (“BVI”) on 20 April 2004 and re-domiciled in Bermuda on 30 March 2007. The registered office of the Company is located at The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda. The principal place of business of the Company is located at Unit 1101, 11th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong.

The Company has its primary listing on the Main Board of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal activity of the Company is investment holding. The principal activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture, sofa and mattresses and licensing of its own brands and product designs.

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

2. BASIS OF PREPARATION

This financial information have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES

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

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

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

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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 13).

4 TURNOVER

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

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

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

5 OTHER NET INCOME

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

Note:

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

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

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Interest on bank borrowings	<u>3,479</u>	<u>4,511</u>

(b) Staff costs

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

(c) Other items

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

- # Cost of inventories sold includes HK\$88,136,000 (2014: HK\$110,922,000) relating to staff costs, depreciation and amortisation expenses and operating lease rentals, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

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

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

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

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

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

8 EARNINGS PER SHARE

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

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

Weighted average number of ordinary shares (diluted)

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

9 SEGMENT REPORTING

(a) Operating segment information

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

(b) **Geographic information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, prepaid lease payments and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and prepaid lease payments, and the location of the operation to which they are allocated, in the case of goodwill.

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

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

(c) **Major customers**

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

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

10 TRADE AND OTHER RECEIVABLES

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

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

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

(a) Ageing analysis

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

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

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

(b) Impairment of trade debtors and bills receivable

Impairment losses in respect of trade debtors and bills receivable are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade debtors and bills receivable directly.

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

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

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

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

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

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

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

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

11 TRADE AND OTHER PAYABLES

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

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

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

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

12 SHARE CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

(i) Authorised and issued share capital

	2015		2014	
	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
Authorised:				
At 1 January	1,000,000,000	10,000	1,000,000,000	10,000
Increase during the year (note (ii))	2,000,000,000	20,000	–	–
At 31 December	<u>3,000,000,000</u>	<u>30,000</u>	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:				
At 1 January	746,496,025	7,465	242,398,675	2,424
Issues of bonus shares (notes (iii))	–	–	484,797,350	4,848
Shares issued under share option scheme (note (iv))	59,600,000	596	19,300,000	193
At 31 December	<u>806,096,025</u>	<u>8,061</u>	<u>746,496,025</u>	<u>7,465</u>

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

(ii) Increase in authorised share capital

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

(iii) Bonus issue

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

(iv) Shares issued under share option scheme

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

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

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

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

13 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2015

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2015 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group:

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

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

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

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

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

Cooperation Framework Agreement

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

Acquisition

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

FINANCIAL REVIEW

Turnover

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

Gross Profit

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

Selling and Distribution Expenses

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

Administrative Expenses

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

Profit for the Year

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

EMPLOYMENT AND REMUNERATION POLICY

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

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

LIQUIDITY AND FINANCIAL RESOURCES

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

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

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

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

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

SEGMENT INFORMATION

Segment Information is set out in Note 9 to the consolidated financial statements of this results announcement.

ENVIRONMENTAL POLICY

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

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

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

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

During the Year under review, as far as the Company is aware, there was no material breach of or noncompliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of our Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are our valuable assets. Thus our Group provides competitive remuneration package to attract and motivate the employees. Our Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

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

KEY RISKS AND UNCERTAINTIES

Our Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to our Group's businesses. The followings are the key risks and uncertainties identified by our Group. There may be other risks and uncertainties in addition to those shown below which are not known to our Group or which may not be material now but could turn out to be material in the future.

Market Risks

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

Foreign Currency Risk

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Hong Kong dollars, Renminbi and United States dollars. As most of the transactions are denominated and settled in the same currency, the Group's foreign currency risk is considered to be minimal by the Directors at the reporting date. The Group does not hold or issue material derivative financial instruments for trading purposes or for hedging against fluctuations in foreign exchange rates, but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

Interest Rate Risk

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

Liquidity Risk

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

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in our Group are guided by their standard operating procedures, limits of authority and reporting framework. Our management will identify and assess key operational exposures regularly so that appropriate risk response can be taken.

Investment Risk

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

Proper authorisation system has been set up and detailed analysis will be made before approving investments. Regular updates on the progress of the investments of our Group would be submitted to the Board.

Manpower and Retention Risk

Our Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of our Group. Our Group will provide attractive remuneration package to suitable candidates and personnel.

Business Risk

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

CHARGE OF ASSETS

As at 31 December 2015, the Group had banking facilities which were secured by (i) a letter of undertaking over the Group's construction in progress and buildings; (ii) legal charges over the Group's medium-term leasehold land outside Hong Kong; (iii) deed of charge over receivables of HK\$3 million; (iv) an assignment of export credit insurance corporation policies of HK\$5 million; (v) pledged bank deposits of the Group.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

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

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

CONTINGENT LIABILITIES

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

PROSPECTS

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

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

CORPORATE GOVERNANCE

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

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

Code provision A.2.1

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

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

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

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the “Audit Committee”) has three members comprising Mr. Kong Hing Ki (Chairman), Mr. Sun Jian, and Ms. Shao Hanqing, all being independent non-executive Directors. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2015.

DIVIDENDS

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

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

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

PUBLICATION OF ANNUAL RESULTS AND 2015 ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2015 will be despatched to the Shareholders and published on both websites in due course.

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

Hong Kong, 24 March 2016

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

Website: <http://www.hingleehk.com.hk>