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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 TRANSACTION –  
DISPOSAL OF THE ENTIRE ISSUED SHARE CAPITAL AND  
SALE DEBT OF THE TARGET COMPANY**

**THE DISPOSAL**

The Board announces that on 23 July 2019 (after trading hours), the Vendor (a wholly-owned subsidiary of the Company) has entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the entire issued share capital of the Target Company and all the title and interests in the Sale Debt at an aggregate consideration of HK\$84,815,000 in cash.

As at the date of this announcement, the Vendor owns the entire issued shares of the Target Company. The Target Company indirectly owns 100% equity interests of SZ Xingli Zundian, which in turn is the legally interested party of the Property.

Following the Completion, the Target Group will cease to be subsidiaries of the Company.

**LISTING IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the Disposal exceed 5% but are less than 25%, the Disposal Agreement and the transactions contemplated thereunder constitute a discloseable transaction under the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **THE DISPOSAL AGREEMENT**

On 23 July 2019 (after trading hours), the Vendor has entered into the Disposal Agreement with the Purchaser, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the entire issued share capital of the Target Company and all the title and interests in the Sale Debt. The major terms of the Disposal Agreement are summarized as below:

**Date:** 23 July 2019

**Parties:** (a) Great Ample Holdings Limited as vendor

(b) Jumbo Holding Development Limited as purchaser

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner are Independent Third Parties.

### **Assets to be disposed of**

Pursuant to the Disposal Agreement, the Vendor has agreed to sell and the Purchaser has agreed to acquire:

1. the Sale Shares, being the entire issued share capital of the Target Company; and
2. the Sale Debt,

being free from all the encumbrance but together with all rights attached, accrued or accruing as at the date of the Completion.

The Sale Debt of HK\$83,815,000 represents the amount owing by the Target Company to the Vendor. The principal amount of the Sale Debt is non-interest bearing.

As at the date of this announcement, the Vendor owns the entire issued share capital of the Target Company. The Target Company indirectly owns 100% equity interests of SZ Xingli Zundian, which in turn is the legally interested party of the Property.

### **Consideration**

The Consideration of HK\$84,815,000 shall be payable by the Purchaser to the Vendor, of which HK\$1,000,000 shall be the consideration for the Sale Shares and HK\$83,815,000 shall be the consideration of the Sale Debt.

The Purchaser shall pay a sum of HK\$8,481,500 as deposit upon signing the Disposal Agreement and the remaining balance of HK\$76,333,500 shall be paid on the date of the Completion. The Purchaser shall pay the Consideration either in HK\$ or in RMB at a fixed exchange rate of HK\$1.00 to RMB0.87966 by telegraphic transfer to the bank account designated by the Vendor.

The Consideration is determined by the parties to the Disposal Agreement through arms' length negotiation, taking into account (i) the appraised value of the Property of RMB64,400,000 (equivalent to approximately HK\$73,210,104) as at 10 July 2019 conducted by the Independent Valuer; (ii) the current usage of the Property; (iii) the Target Group's loss making position; and (iv) the reasons for the Disposal as described under the paragraph headed "REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS" below.

**Completion**

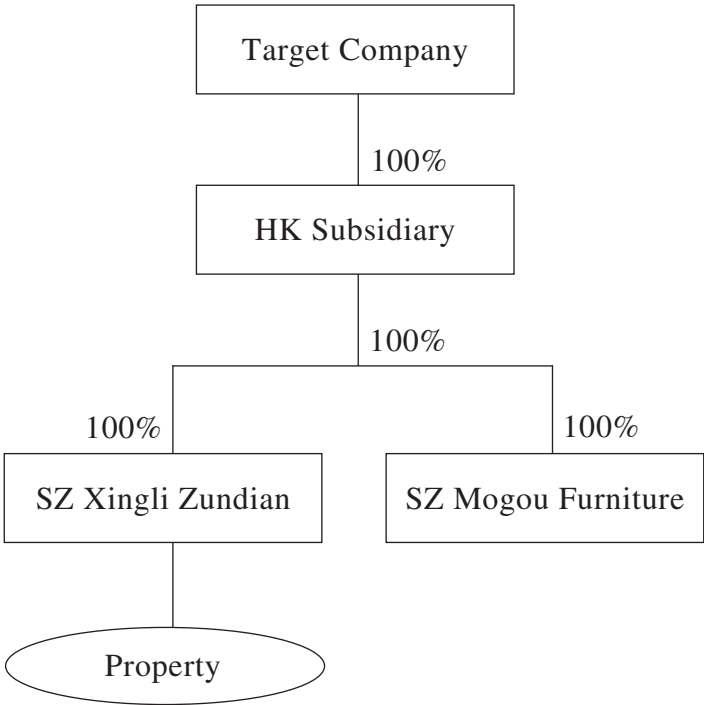
The Completion shall take place on 23 August 2019, or such other date as the Vendor and the Purchaser may agree in writing.

**INFORMATION OF THE COMPANY AND THE GROUP**

The Company was incorporated in the British Virgin Islands on 20 April 2004 and re-domiciled in Bermuda on 30 March 2007. The principal business activities of the Group are design, manufacture, sales and marketing of home furniture products including mainly wood-based furniture, sofa and mattresses and licensing of its own brands and product designs.

**INFORMATION OF THE TARGET GROUP**

As at the date of this announcement, the existing corporate structure of the Target Group is set out as follows:



## The Target Group

The Target Company is an investment holding company with three wholly-owned subsidiaries, being the HK Subsidiary, SZ Xingli Zundian and SZ Mogou Furniture. The HK Subsidiary is an investment holding company and provides certain intra-group administration services. SZ Xingli Zundian was engaged in sales and manufacturing of classic furniture but has ceased all production activities since April 2019. The production of classic furniture have been outsourced to other manufacturers. SZ Mogou Furniture is a dormant entity.

SZ Xingli Zundian is the legally interested party of the Property with a right to use the Land for a term of 50 years from 29 June 2007 till 28 June 2057 for industrial usage. The Property, which is a factory complex located at an industrial zone in Longgang District, Shenzhen, the PRC comprises of the Land with a site area of approximately 41,064.83 sq.m with four various major buildings and structures erected thereon. The building and structures include two various single to three-storey workshops, an eight-storey dormitory and a single storey utility room with a total gross floor area of approximately 35,009.60 sq.m. A PRC legal adviser of the Company advised that the Property is not allowed to be transferred or leased out.

The Property was mainly used for production activities of SZ Xingli Zundian before April 2019. Since the manufacturing activities of SZ Xingli Zundian ceased from April 2019, most parts of the Property have been vacant save and except that a small portion is still being occupied by the Group for office and show room purpose. The Group intends to vacate the Property before the date of the Completion.

The Independent Valuer performed a valuation in arriving at the value of the Property as at 10 July 2019 on an absolute title basis. Due to the restriction in transferability of the Property, no commercial value was assigned to the Property. For the Directors' internal reference, the Independent Valuer assessed the depreciated replacement cost of the building and structures of the Property at RMB64,400,000 (equivalent to approximately HK\$73,210,104) as at 10 July 2019.

A summary of the unaudited results of the Target Group for the two years ended 31 December 2017 and 2018 prepared according to HKFRS are set out as follows:

	<b>Year ended</b>	
	<b>31 December 2017</b>	<b>31 December 2018</b>
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Net loss before taxation	(15,823)	(79,107)
Net loss after taxation	(15,823)	(79,107)

The unaudited net liabilities of the Target Group was approximately HK\$3,694,000 as at 30 June 2019 (after taking into account the Sale Debt of approximately HK\$83,814,000 as at 30 June 2019).

### **FINANCIAL EFFECTS OF THE DISPOSAL**

It is expected that the Company will record a disposal gain of approximately HK\$4,350,000, which is calculated by deducting (i) the unaudited net liability of the Target Group as at 30 June 2019; (ii) the Sale Debt; and (iii) the estimated professional fees in relation to the Disposal of approximately HK\$350,000 from the Consideration. The aforesaid estimation is for illustrative purpose only and does not purport to represent how the financial position of the Group will be after the Completion, which is subject to review and confirmation by the Company's auditors. The actual gain in connection with the Disposal is subject to audit and confirmation from the Company's auditor and may be different from the estimated amount as the actual gain will depend on, amongst other factors, the actual net assets of the Target Group and the actual professional fees as at the Completion.

Upon the Completion, the Target Group will cease to be wholly-owned subsidiaries of the Company and its financial statements will no longer be consolidated to the Group's financial statements.

### **REASONS FOR AND BENEFITS OF THE DISPOSAL AND USE OF PROCEEDS**

The overall business environment in the PRC as a result of the slowdown in China's economy due to geopolitical tensions has left the Group's operation remained challenging. The furniture business of the Group continued to suffer from low consumer sentiment, competition from different distribution channels in domestic markets, imbalance of supply and demand, climbing raw material costs and operational costs. The Target Group has recorded net loss for three consecutive financial years.

The Group has been undergoing a business transformation throughout the years to streamline its business to enhance the overall performance and restructure the Group's fixed assets in order to maximize the value of the Group's assets. As disclosed in the annual reports of the Group for the years ended 31 December 2016, 2017 and 2018, the Group has been outsourcing its productions to other manufacturers and place its effort in designing, branding, quality control and enhancing its distribution channels. Currently, the Group has outsourced all classic furniture production and a substantial portion of its modern furniture to other manufacturers to enhance production efficiency and flexibility of the Group. SZ Xingli Zundian has ceased its production activities since April 2019 and most part of the Property is currently vacant.

The Directors have been constantly reviewing the performance of the businesses of the Group and aiming to strive for the best interests for the Company and the Shareholders. Having taken into account (i) that all the production of classic furniture has been outsourced and the Property will remain idle without any reasonable return to the Company and its Shareholders; (ii) the expense savings in relation to disposing the Property; (iii) the Target Group's loss making status; (iv) the restriction imposed on the Property that it is non-transferrable and not allowed to be leased out; and (v) the business environment in the PRC remaining challenging, the Directors consider that the Disposal will streamline and restructure the Group's fixed assets in order to maximize the value of the Group's assets and will strengthen the Group's cash flow and generate additional financial resources for existing operations of the Group and seek for future investments when opportunities arise.

The Directors (including the independent non-executive Directors) consider that the terms of the Disposal Agreement have been made on normal commercial terms and are fair and reasonable and the Disposal is in the interest of the Company and the Shareholders as a whole.

The net proceeds from the Disposal is approximately HK\$84,465,000, deducting the estimated professional fees in relation to the Disposal of approximately HK\$350,000. The Board intends to apply the net proceeds for the follow purposes:

- (i) approximately HK\$36,000,000 is used for repayment of bank loans;
- (ii) approximately HK\$25,000,000 is used for repayment to trade creditors;
- (iii) approximately HK\$10,000,000 is used for future investments; and
- (iv) approximately HK\$13,465,000 is used for general working capital purpose, among of which (i) around 37% will be used to finance the payment of monthly staff salaries; (ii) around 37% will be used to finance the payment of deposits to furniture manufacturers; (iii) around 15% will be used for the promotion and marketing activities of the Group and (iv) the remaining 11% will be used to finance general and administrative expenses of the Group.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) for the Disposal exceed 5% but are less than 25%, the Disposal Agreement and the transactions contemplated thereunder constitute a discloseable transaction under the Listing Rules and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Board”	the board of Directors
“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 Disposal
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	HK\$84,815,000 payable by the Purchaser to the Vendor for the Disposal pursuant to the Disposal Agreement
“Director(s)”	the directors of the Company
“Disposal”	the disposal of the Target Group by the Vendor on the terms and conditions of the Disposal Agreement
“Disposal Agreement”	the agreement dated 23 July 2019 entered into between the Vendor and the Purchaser in respect of the sale and purchase of the Sale Shares and the sale and assignment of the Sale Debt
“Group”	the Company and its subsidiaries
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants from time to time
“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China
“HK Subsidiary”	Hing Lee (China) Company Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of the Target Company

“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Valuer”	LCH (Asia-Pacific) Surveyors Limited, being an independent valuer of the Property
“Independent Third Party(ies)”	an individual(s) or a company (ies) who or which is/ are independent of and not connected with (within the meaning of Listing Rules) our Company or its connected persons
“Land”	Lot No. G14310-0206 located at Industrial Zone Kengzi Town Longgang District Shenzhen City Guangdong Province, the PRC having a site area of approximately 41,064.83 sq.m.
“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 Special Administrative Region, Macau Special Administrative Region and Taiwan)
“Property”	the Land and the four buildings erected thereon (namely a single storey workshop, a 3-storey workshop, a 8-storey dormitory and a single storey utility room) with a total gross floor area of approximately 35,009.60 sq.m.
“Purchaser”	Jumbo Holding Development Limited, a company incorporated in the British Virgin Islands
“Sale Shares”	the entire issued share capital of the Target 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)
“Sale Debt”	the total amount of HK\$83,815,000 outstanding and owing by the Target Company to the Vendor
“Stock Exchange”	The Stock Exchange of Hong Kong Limited



“SZ Mogou Furniture”	深圳興利尊典摩高家具有限公司 (Shenzhen Xingli Zundian Mogou Furniture Co., Ltd.*), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Target Company
“SZ Xingli Zundian”	深圳興利尊典家具有限公司 (Shenzhen Xingli Zundian Furniture Co., Ltd.*), a company incorporated in the PRC and an indirect wholly-owned subsidiary of the Target Company
“Target Company”	Glory Skill Investments Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Vendor
“Target Group”	the Target Company, the HK Subsidiary, SZ Mogou Furniture and SZ Xingli Zundian
“Vendor”	Great Ample Holdings Limited, an investment holding company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company

For the purpose of this announcement, translation of RMB to HK\$ or vice versa have been calculated by using an exchange rate of RMB0.87966 equal to HK\$1. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

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

Hong Kong, 23 July 2019

*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.*

\* *For identification purpose only*