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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 2009

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 2009 with comparative figures for the corresponding year ended 31 December 2008.

The 2009 financial statements of the Company have been reviewed by the Company's audit committee and the Board.

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2009

	Notes	**2009** **HK$'000**	2008 HK$'000
Turnover	4	**439,358**	534,346
Cost of sales		**(349,071)**	(433,344)
Gross profit		**90,287**	101,002
Other income	5	**3,123**	1,989
Selling and distribution expenses		**(41,351)**	(35,533)
Administrative expenses		**(29,451)**	(33,348)
Profit from operating activities		**22,608**	34,110
Finance costs	6(a)	**(623)**	(70)
Profit before taxation	6	**21,985**	34,040
Income tax	7	**(2,360)**	(3,251)
Profit for the year		**19,625**	30,789
Attributable to:			
Equity shareholders of the Company		**18,760**	30,746
Minority interests		**865**	43
Profit for the year		**19,625**	30,789
Earnings per share (HK cents)	9		
– Basic		**10.63**	20.5
– Diluted		**10.54**	20.5

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2009

	Notes	2009 HK$'000	2008 HK$'000
Profit for the year		**19,625**	30,789
Other comprehensive income for the year	8		
Exchange differences on translation of financial statements of overseas subsidiaries		**271**	9,153
Changes in fair value of available-for-sale investments recognised during the year		**3,604**	–
		3,875	9,153
Total comprehensive income for the year		**23,500**	39,942
Attributable to:			
Equity shareholders of the Company		**22,628**	39,663
Minority interests		**872**	279
Total comprehensive income for the year		**23,500**	39,942

CONSOLIDATED BALANCE SHEET

As at 31 December 2009

	Notes	**2009** *HK$'000*	2008 *HK$'000*
Non-current assets			
Fixed assets	11	**132,012**	74,438
Prepaid lease payments		**47,906**	48,857
Available-for-sale investments	12	**8,262**	4,648
		188,180	127,943
Current assets			
Prepaid lease payments		**1,030**	1,029
Inventories	13	**68,662**	67,447
Trade debtors and bills receivable	14	**27,661**	34,562
Prepayments, deposits and other receivables		**27,207**	24,041
Restricted bank deposits		**14,188**	9,929
Cash and cash equivalents		**86,773**	88,208
		225,521	225,216
Current liabilities			
Trade payables	15	**48,052**	61,221
Other payables and accrued charges		**41,715**	34,188
Current portion of secured bank loans	16	**16,850**	11,441
Amount due to a related company		**–**	749
Current taxation	17	**949**	3,834
		107,566	111,433
Net current assets		**117,955**	113,783
Total assets less current liabilities		**306,135**	241,726
Non-current liabilities			
Non-current portion of secured bank loans	16	**42,518**	32,372
NET ASSETS		**263,617**	209,354
CAPITAL AND RESERVES			
Share capital	19	**2,000**	387
Reserves		**256,400**	204,622
Total equity attributable to equity shareholders of the Company		**258,400**	205,009
Minority interests		**5,217**	4,345
TOTAL EQUITY		**263,617**	209,354

NOTES TO THE FINANCIAL STATEMENTS

1 COMPANY INFORMATION

Hing Lee (HK) Holdings Limited (the "Company") was incorporated in the British Virgin Islands ("BVI") on 20 April 2004 and re-domiciled in Bermuda on 30 March 2007. The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, 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.

2 BASIS OF PREPARATION

These 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. These 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 and the Company for the current and prior accounting periods reflected in these financial statements.

3 CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued one new HKFRS, a number of amendments to HKFRSs and new Interpretations 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 and the Company's financial statements:

- HKFRS 8, Operating segments
- HKAS 1 (revised 2007), Presentation of financial statements
- Amendments to HKFRS 7, Financial instruments: Disclosures – improving disclosures about financial instruments
- Improvements to HKFRSs (2008)
- Amendments to HKAS 27, Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate
- HKAS 23 (revised 2007), Borrowing costs
- Amendments to HKFRS 2, Share-based payment – vesting conditions and cancellations

Except for HKAS1 (revised 2007) as described below, the adoption of these new and revised HKFRSs have no impact on the Group's or the Company's financial statements.

As a result of the adoption of HKAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

4 TURNOVER

The principal activities of the Group are the design, manufacture, sales and marketing of home furniture products including mainly wood-based furniture 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:

	2009	2008
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**428,747**	515,399
Licensing income	**10,611**	18,947
	439,358	534,346

5 OTHER INCOME

	2009	2008
	HK$'000	*HK$'000*
Bank interest income	**101**	373
Dividend income	**121**	360
Gain on disposal of equity investments at fair value through profit or loss	**–**	797
Overprovision of tax penalty	**2,417**	–
Others	**484**	459
	3,123	1,989

6 PROFIT BEFORE TAXATION

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

(a) Finance costs

	2009	2008
	HK$'000	*HK$'000*
Interest on secured bank loans repayable within 5 years	**4,112**	2,279
Interest on short-term borrowing	**–**	70
Total borrowing costs	**4,112**	2,349
Less: interest capitalised *(i)*	**(3,489)**	(2,279)
	623	70

(i) Interest has been capitalised to construction in progress at an average annual rate of 7.92% (2008: 9.12%) during the year.

(b) Staff costs

	2009	2008
	HK$'000	*HK$'000*
Directors' remuneration	**3,319**	5,448
Wages and salaries	**43,597**	39,597
Equity-settled share-based payment expenses	**299**	1,382
Retirement scheme contributions	**2,705**	3,239
	49,920	49,666

(c) Other items:

	2009	2008
	HK$'000	*HK$'000*
Auditor's remuneration	**800**	1,200
Amortisation of prepaid lease payments	**1,030**	1,028
Bad debts written off	**501**	–
Change in fair value of equity investments at fair value through profit or loss	**–**	974
Cost of inventories sold *(i)*	**349,071**	433,344
Depreciation	**5,162**	5,628
Exchange loss, net	**397**	394
Gain on disposal of equity investments at fair value through profit or loss	**–**	(797)
Impairment of inventories	**3,095**	2,165
Impairment of available-for-sale investments	**–**	2,714
Impairment of trade receivables recognised/(reversed)	**2,266**	(1,509)
Loss on disposal of fixed assets	**–**	47
Operating lease rentals: minimum lease payments – land and buildings	**8,927**	8,976

(i) Cost of inventories sold includes HK$45,268,000 (2008: HK$42,974,000) relating to staff costs, depreciation and amortisation expenses, operating lease charges and impairment for inventories, 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 INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2009	2008
	HK$'000	*HK$'000*
Current year provision		
– Hong Kong Profits Tax	**–**	174
– PRC Enterprise Income Tax	**2,159**	3,112
Prior year underprovision/(overprovision)		
– Hong Kong Profits Tax	**(1)**	(31)
– PRC Enterprise Income Tax	**202**	(4)
	2,360	3,251

Reconciliation between tax expense and accounting profit at applicable tax rate:

	2009	2008
	HK$'000	*HK$'000*
Profit before taxation	**21,985**	34,040
Notional tax on profit before taxation	**3,628**	5,617
Tax effect of non-deductible expenses *(v)*	**2,199**	2,447
Tax effect of non-taxable income *(vi)*	**(3,274)**	(3,780)
Tax effect of different tax rates of subsidiaries operating in the PRC	**(761)**	(1,031)
Tax effect of unrecognised temporary differences	**37**	45
Tax effect of utilisation of tax losses not recognised previously	**(162)**	(171)
Tax effect of unused tax losses not recognised	**467**	–
Prior year underprovision/(overprovision)	**201**	(35)
Others	**25**	159
Actual tax expense	**2,360**	3,251

(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 2009 is calculated at 16.5% (2008: 16.5%) of the estimated assessable profit for the year.

(iii) Hing Lee Ideas Limited is subject to Company Income Tax in Malaysia. No provision for 2009 (2008: Nil) is made as it has been dormant since its incorporation.

(iv) Prior to 1 January 2008, Dongguan Super Furniture Company Limited ("Dongguan Super Furniture") was subject to Enterprise Income Tax ("EIT") in the PRC with a preferential EIT rate of 24% under 《中華人民共和國外商投資企業和外國企業所得稅法》 (the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises) promulgated by 《全國人民代表大會》(the National People's Congress). Dongguan Super Furniture was also approved to be entitled to EIT full exemption for two years from its first profit making year and a 50% reduction for the following three years in accordance with 《東莞市外商投資企業和外國企業所得稅減免審批表》(the Dongguan Municipal Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprise) issued by 廣東省東莞市國家稅務局 (the Dongguan Municipal Office of the State Administration of Taxation), which in the opinion of Zhong Xin Law Firm Shanghai Branch, the PRC legal advisers of the Group, is an appropriate competent authority for granting the tax exemption to Dongguan Super Furniture under its jurisdiction in accordance with the provisions under relevant laws and regulations in the PRC.

Prior to 1 January 2008, Shenzhen Xingli Furniture Company Limited ("Shenzhen Xingli") and Shenzhen Xingli Zundian Furniture Company Limited ("Shenzhen Xingli Zundian") were subject to EIT in the PRC with a preferential EIT rate of 15% under 《深圳市人民政府關於寶安、龍崗兩個市轄區有關稅收政策問題的通知》(the notice of Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises in Baoan and Longgan) issued by 深圳市人民政府 (the People's Government of Shenzhen). Shenzhen Xingli and Shenzhen Xingli Zundian were also approved to be entitled to EIT full exemption for two years from its first profit making year and a 50% reduction for the following three years by 深圳市龍崗區國稅局 (the Shenzhen Municipal Office of State Administration of Taxation in Longgang district).

With the New Enterprise Income Tax Law (the "New EIT Law") becoming effective on 1 January 2008, all enterprises in the PRC are subject to a standard enterprise income tax rate of 25%.

However, there is a transitional period for enterprises which are currently entitled to preferential tax treatments granted by relevant tax authorities. In accordance with 《國務院關於實施企業所得稅過渡優惠政策的通知》(the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy) issued on 26 December 2007:

(a) from 1 January 2008, for enterprises that enjoy a preferential tax rate of 15%, the tax rate will be transitioned to 25% over five years at rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012; and

(b) from 1 January 2008, the enterprises that originally enjoyed the preference of regular tax reduction and exemption, will continue to enjoy the original preference in accordance with the preferential measures and terms stipulated by the original tax law, administrative regulations and relevant documents until the expiration of the preference.

Dongguan Super Furniture was incorporated in October 2005 and did not generate any assessable profit in 2005 and therefore it was not required to pay any PRC EIT for the year of 2005. Dongguan Super Furniture was entitled to full exemption from the PRC EIT in 2006 and 2007, being its first two profitable years, and a 50% tax reduction of the PRC EIT rate of 25% in 2008 under the New EIT Law till 2010.

Shenzhen Xingli was exempted from the PRC EIT for its first two profitable years, commencing from 1 January 2003, and thereafter was entitled to a 50% tax reduction in the PRC EIT rate of 15% for the subsequent three consecutive years from 1 January 2005 to 31 December 2007. Shenzhen Xingli was subject to the PRC enterprise income tax rate of 20% in 2009 (2008: 18%).

Shenzhen Xingli Zundian was exempted from the PRC EIT for its first two profitable years, commencing from 1 January 2005, and thereafter was entitled to a 50% tax reduction in the PRC EIT for the subsequent three consecutive years from 1 January 2007 onwards. Under the New EIT Law, Shenzhen Xingli Zundian was entitled to a 50% reduction of the PRC EIT rate of 20% for 2009 (2008: 18%).

(v) It mainly represents the tax effect of impairment of trade and other receivables and inventories of the Group's PRC subsidiaries and certain expenses incurred by Great Ample Holdings Limited and the Company.

(vi) It mainly represents the tax effect of licensing income earned by Sharp Motion Worldwide Limited. The licensing fees payable by the licensees to the Group were subject to 10% withholding tax in the PRC. However, it is a term of the licence agreements that the licensing fees receivable by the Group should be net of any tax and the licensees are responsible to pay any tax imposed on the licensing fees payable by the licensees to the Group. As such, the licensing fees as agreed between the Group and the licensees were on a net-of-tax basis and the licensees were responsible to pay the relevant withholding tax separately to the tax authorities at their own costs.

8 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income are as follows:

	2009			2008		
	Before tax amount	**Tax expense**	**Net-of-tax amount**	Before tax amount	Tax expense	Net-of–tax amount
	HK$'000	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*
Exchange differences on translation of financial statements of overseas subsidiaries	**271**	**–**	**271**	9,153	–	9,153
Changes in fair value of available-for-sale investments recognised during the year	**3,604**	**–**	**3,604**	–	–	–
Other comprehensive income	**3,875**	**–**	**3,875**	9,153	–	9,153

9 EARNINGS PER SHARE

(a) Basic 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$18,760,000 (2008: HK$30,746,000) and the weighted average number of ordinary shares of the Company in issue during the year ended 31 December 2009 of 176,438,356 (2008: 150,000,000 ordinary shares). The weighted average number of shares of the Company in issue during the year ended 31 December 2009 and 2008 respectively is calculated on the assumption that a total of 150,000,000 ordinary shares of the Company to be in issue immediately following the completion of the capitalisation issue as described in the Company's prospectus dated 9 June 2009 ("Capitalisation Issue") were outstanding throughout the entire two years.

	2009 Number of shares	2008 Number of shares
Shares issued upon capitalisation	**150,000,000**	150,000,000
Effect of shares issued under placing and public offering ("Share Offer") on 22 June 2009	**26,438,356**	–
Weighted average number of ordinary shares at 31 December	**176,438,356**	150,000,000

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK$18,760,000 and the weighted average number of ordinary shares (diluted) of 178,036,618 shares, calculated as follows:

	2009 Number of shares	2008 Number of shares
Weighted average number of ordinary shares at 31 December	**176,438,356**	150,000,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**1,598,262**	–
Weighted average number of ordinary shares (diluted) at 31 December	**178,036,618**	150,000,000

10 SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services offered. Two reportable operating segments were identified as follows:

Home furniture:	Design, manufacture, sale and marketing of home furniture and bed mattresses
Branded distribution:	Licensing of own brand names

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

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

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

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments for the years ended 31 December 2009 and 2008 is set out below:

	2009				2008			
	Home furniture *HK$'000*	**Branded distribution** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*	Home furniture *HK$'000*	Branded distribution *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Revenue from external customers	**428,747**	**10,611**	**–**	**439,358**	515,399	18,947	–	534,346
Interest income	**–**	**–**	**101**	**101**	–	–	373	373
Interest expense	**–**	**–**	**623**	**623**	–	–	70	70
Depreciation and amortisation	**6,192**	**–**	**–**	**6,192**	6,656	–	–	6,656
Reportable segment profit	**14,140**	**10,589**	**–**	**24,729**	20,496	19,604	–	40,100
Other material non-cash items:								
Impairment of trade receivables recognised/(reversed)	**2,266**	**–**	**–**	**2,266**	(819)	(690)	–	(1,509)
Impairment of inventories	**3,095**	**–**	**–**	**3,095**	2,165	–	–	2,165
Reportable segment assets	**377,421**	**5,369**	**30,911**	**413,701**	327,854	10,641	14,664	353,159
Expenditures for non-current assets	**62,615**	**–**	**–**	**62,615**	53,518	–	–	53,518
Reportable segment liabilities	**148,181**	**16**	**1,887**	**150,084**	136,637	16	7,152	143,805

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

	2009	2008
	HK$'000	*HK$'000*
Revenues		
Reportable segment revenue – Consolidated turnover	**439,358**	534,346
Profit or loss		
Reportable segment profit	**24,729**	40,100
Other income	**3,123**	1,989
Unallocated amounts:		
Interest expense	**–**	(70)
Other head office and corporate expenses	**(5,867)**	(7,979)
Consolidated profit before taxation	**21,985**	34,040
Assets		
Total assets for reportable segments	**382,790**	338,495
Available-for-sale investments *	**8,262**	4,648
Unallocated head office and corporate assets	**22,649**	10,016
Consolidated total assets	**413,701**	353,159
Liabilities		
Total liabilities for reportable segments	**148,197**	136,653
Current tax liabilities	**949**	3,834
Unallocated head office and corporate liabilities	**938**	3,318
Consolidated total liabilities	**150,084**	143,805

* Segment assets do not include available-for-sale investments as these assets are managed on a group basis.

(c) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets and prepaid lease payments ("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.

	2009		2008	
	Revenues from external customers	**Specified non-current assets**	Revenues from external customers	Specified non-current assets
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Asia (excluding the People's Republic of China ("PRC"))	**112,066**	**1,143**	176,896	1,477
Europe	**24,901**	**–**	35,370	–
PRC	**269,193**	**178,775**	273,034	121,818
Others	**33,198**	**–**	49,046	–
	439,358	**179,918**	534,346	123,295

Asia mainly covers Japan, Taiwan, Middle East and Southeast Asia; Europe mainly covers Sweden, Italy, Spain and Germany; and others mainly cover the United States, Canada, Angola and Ivory Coast.

11 FIXED ASSETS

	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 2008	2,474	4,534	2,450	38,288	–	47,746
Exchange realignment	121	106	95	1,802	–	2,124
Additions	566	126	414	2,626	49,068	52,800
Disposals	–	(380)	(19)	(983)	–	(1,382)
At 31 December 2008	3,161	4,386	2,940	41,733	49,068	101,288
At 1 January 2009	3,161	4,386	2,940	41,733	49,068	101,288
Exchange realignment	4	3	3	55	79	144
Additions	–	710	1,058	11,866	48,981	62,615
At 31 December 2009	3,165	5,099	4,001	53,654	98,128	164,047
Accumulated depreciation						
At 1 January 2008	1,529	1,821	1,511	16,453	–	21,314
Exchange realignment	83	25	45	398	–	551
Charge for the year	629	1,016	371	3,612	–	5,628
Written back on disposals	–	(278)	(14)	(351)	–	(643)
At 31 December 2008	2,241	2,584	1,913	20,112	–	26,850
At 1 January 2009	2,241	2,584	1,913	20,112	–	26,850
Exchange realignment	3	1	2	17	–	23
Charge for the year	436	581	345	3,800	–	5,162
At 31 December 2009	2,680	3,166	2,260	23,929	–	32,035
Net book value						
At 31 December 2009	**485**	**1,933**	**1,741**	**29,725**	**98,128**	**132,012**
At 31 December 2008	920	1,802	1,027	21,621	49,068	74,438

12 AVAILABLE-FOR-SALE INVESTMENTS

	2009	2008
	HK$'000	*HK$'000*
Listed equity investments, at market value		
– Hong Kong	**8,262**	4,648

The equity investments were previously classified by the Group as financial assets at fair value through profit or loss. Since acquisition, the directors intended to hold the investments for trading. In response to the financial crisis during the second half of 2008, which was considered a "rare circumstance" by the directors, they changed their intention regarding the investments in that they decided to hold the investment for the long term. The directors considered that the reclassification of the investments was allowed under the amendments made to HKAS 39 and HKFRS 7 "Reclassification of Financial Assets" issued by the HKICPA in October 2008 which was retrospectively effective from 1 July 2008 and made the reclassification on 1 August 2008.

13 INVENTORIES

Inventories in the balance sheet comprise:

	2009	2008
	HK$'000	*HK$'000*
Raw materials	**15,138**	5,859
Work in progress	**14,711**	7,745
Finished goods	**38,813**	53,843
	68,662	67,447

14 TRADE DEBTORS AND BILLS RECEIVABLE

The ageing analysis of trade debtors and bills receivable (net of allowance for doubtful debts) as of the balance sheet date is as follows:

	2009	2008
	HK$'000	*HK$'000*
Current	**20,216**	22,918
Less than 3 months past due	**3,707**	5,300
3 to 6 months past due	**3,525**	4,605
6 to 12 months past due	**213**	1,519
More than 12 months past due	**–**	220
	27,661	34,562

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

15 TRADE PAYABLES

The ageing analysis of trade payables as of the balance sheet date is as follows:

	2009	2008
	HK$'000	*HK$'000*
Within 3 months	**45,021**	56,880
3 months to 1 year	**2,457**	3,995
Over 1 year	**574**	346
	48,052	61,221

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

16 SECURED BANK LOANS

At 31 December 2009, secured bank loans were repayable as follows:

	2009	2008
	HK$'000	*HK$'000*
Within one year	**16,850**	11,441
After 1 year but within 2 years	**28,585**	11,441
After 2 years but within 5 years	**13,933**	20,931
	42,518	32,372
	59,368	43,813

The average effective interest rate for the secured bank loans are 7.97% and 7.92% for the years ended 31 December 2009 and 2008 respectively.

17 INCOME TAX IN THE BALANCE SHEET

(a) Current taxation in the balance sheet represents:

	2009	2008
	HK$'000	*HK$'000*
Hong Kong Profits Tax payable	**–**	2,804
PRC Enterprise Income Tax payable	**949**	1,030
	949	3,834

(b) Deferred taxation

Details of the Group's unrecognised deferred tax (assets)/liabilities at the balance sheet date are as follows:

	2009	2008
	HK$'000	*HK$'000*
Excess of tax allowances over depreciation	**95**	45
Tax losses	**(818)**	(513)
	(723)	(468)

The deferred tax assets in respect of the tax losses have not been recognised in the financial statements due to the unpredictability of future profit streams. The tax losses do not expire under current tax legislation.

At 31 December 2009, the Group has unrecognised deferred tax liabilities of HK$3,386,000 (2008: HK$2,786,000) in relation to withholding tax on undistributed earnings of HK$67,725,000 (2008: HK$55,719,000) due to the retention of undistributed earnings by the Group's subsidiaries in the PRC determined by the directors of the Company.

The Company does not have any material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2008: Nil), and therefore, no provision for deferred tax has been made.

18 DIVIDENDS

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

	2009	2008
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK1.05 cents per ordinary share of HK$0.01 each (2008: HK$80 per ordinary share of US$1.00 each)	**2,100**	3,971
Final dividend proposed after the balance sheet date of HK1.40 cents per ordinary share of HK$0.01 each (2008: HK$Nil)	**2,800**	–
	4,900	3,971

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

19 SHARE CAPITAL

	2009		2008	
	Number of ordinary shares of HK$0.01 each	**Amount** ***HK$'000***	Number of ordinary shares of US$1 each	Amount *US$'000*
Authorised:				
At 31 December	**1,000,000,000**	**10,000**	50,000	50
		HK$'000		*HK$'000*
Issued and fully paid:				
At 1 January	**49,644**	**387**	49,644	387
Arising from sub-division of shares	**38,672,676**	**–**	–	–
Issued upon capitalisation	**111,277,680**	**1,113**	–	–
Issued under the Share Offer	**50,000,000**	**500**	–	–
At 31 December	**200,000,000**	**2,000**	49,644	387

Notes:

(i) On 5 May 2009, the currency denomination of the issued and unissued share capital of the Company was changed from United States dollars to Hong Kong dollars by adopting the exchange rate of US$1.00 to HK$7.80 such that the Company's authorised share capital has become HK$390,000 divided into 50,000 shares of HK$7.80 each and the issued share capital has become HK$387,223.20 divided into 49,644 shares of HK$7.80 each and immediately thereafter, each of the issued and unissued shares of HK$7.80 each in the share capital of the Company was subdivided into 780 shares of HK$0.01 each so that the share capital of the Company comprised 38,722,320 issued shares and 277,680 unissued shares of HK$0.01 each.

(ii) Pursuant to the written resolutions of the shareholders of the Company passed on 29 May 2009, the authorised share capital of the Company was increased from HK$390,000 to HK$10,000,000 by the creation of an additional of 961,000,000 shares of HK$0.01 each.

(iii) Conditional on the share premium account of the Company being credited as a result of the Share Offer, the directors were authorised to capitalize an amount of HK$1,112,776.80 from the amount standing to the credit of the share premium account of the Company and that the said sum be capitalised and applied to pay up in full at par a total of 111,277,680 shares for allotment and issue, credited as fully paid at par, to the holders of shares whose names appear on the register of members of the Company at the close of business on 29 May 2009 or as each of them may direct in writing, in proportion (or as nearly as possible without involving the issue of fractions of shares) to their respective shareholdings in the Company.

(iv) On 22 June 2009, 50,000,000 new shares were issued to the public at HK$1.02 per share for cash totaling HK$51,000,000. The excess of the issue price over the par value of the shares, net of share issuing expenses, was credited to the share premium account of the Company.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global economic crisis, which has spread since mid 2008, has adversely affected the world economies and also resulted in a global credit tightening. With a deteriorating worldwide economy, demand for the Group's furniture products in the overseas market decreased, and as a result, the export sales of the Group decreased.

Despite the challenging business environment, year 2009 will be a year to remember by the Group as on 22 June 2009, the shares of the Company were successfully listed on the Main Board of the Stock Exchange.

FINANCIAL REVIEW

Turnover

For the year ended 31 December 2009, the Group's turnover decreased by approximately 17.8% from approximately HK$534.3 million in 2008 to approximately HK$439.4 million in 2009. The decrease in turnover during the period was primarily due to the decreases in export sales of approximately HK$91.1 million or 34.9%. The decrease in the export sales for the year under review was mainly due to the rapidly deteriorating consumer sentiment caused by the global financial crisis since the third quarter of 2008.

Gross Profit

During the financial year under review, the Group's gross profit margin increased by 1.6 percentage point to 20.5% from 18.9% in 2008 as a result of the general decrease in the prices of major raw materials (such as MDF board, ironware, paint and sponge) and the costs of transportation when compared with year 2008. The Group continued to manage raw material costs, inventory levels and its sourcing networks so as to ensure that it has timely and stable supply of raw materials at competitive prices. The directors of the Company believe this would allow the Group more flexibility to adjust the product selling price, if necessary, in order to remain competitive.

Selling and Distribution Expenses

The Group's selling and distribution expenses increased by approximately 16.6% from approximately HK$35.5 million in 2008 to approximately HK$41.4 million in 2009. It has been the strategy of the Group to increase brand recognition and enhance corporate profile through advertising and promotion, as a result, advertising expenses increased by about HK$3.3 million. In addition, the increase in selling and distribution expenses in year 2009 is resulting from lack of the reversal of the impairment for doubtful debts of approximately HK$1.5 million in 2008.

Administrative Expenses

For the year ended 31 December 2009, the Group's administrative expenses were approximately HK$29.5 million against about HK$33.3 million for the year ended 31 December 2008, representing a decrease of about 11.4%. Such decrease was mainly attributable to the reduction in share-based payment expenses of about HK$2.2 million and the decrease in impairment of available-for-sale investments of about HK$2.7 million, offset partially by an increase in legal and professional fees of about HK$1.3 million.

Net Profit

As a result of the foregoing, the Group's net profit attributable to equity shareholders of the Company decreased by approximately 38.8% from approximately HK$30.7 million in 2008 to approximately HK$18.8 million for the year ended 31 December 2009, and the net profit ratio decreased from 5.8% to 4.5%.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2009, the Group employed approximately 1,100 employees (2008: approximately 1,200). Total staff cost, including Directors' emoluments, amounted to HK$49.9 million (2008: HK$49.7 million). 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 engaged professional parties to provide training to its staff to ensure they can obtain updated job related knowledge and enhance the quality of work.

The relationship between the management and staff has been good. There have not been any labor disputes or work stoppages which have disrupted the operations of the Group during the year under review.

LIQUIDITY AND FINANCIAL RESOURCES

All the Group's 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 the information disclosed in the prospectus of the Company dated 9 June 2009.

The Group maintained cash and bank balances of HK$86.8 million as at 31 December 2009 (31 December 2008: HK$88.2 million).

As at 31 December 2009, the Group has bank borrowings amounting to HK$59.4 million (31 December 2008: HK$43.8 million). As at the same date, the gearing ratio (total debt/ total equity) was 0.57 (31 December 2008: 0.69).

As at 31 December 2009, the current ratio (current assets/current liabilities) was 2.1 times (31 December 2008: 2.0) and the net current assets amounted to HK$118.0 million (31 December 2008: HK$113.8 million).

On 22 June 2009, the shares of the Company were listed on the Main Board of the Stock Exchange by way of placing and public offer of 50,000,000 shares of HK$0.01 each at the price of HK$1.02 each. The net proceeds from the placing and public offer amounted to approximately HK$32.4 million.

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 Renminbi and United States dollars. In order to reduce foreign exchange exposure arising from the export sales, the Group made a significant proportion of purchases in US dollars. Hence, the Group's foreign currency risk is considered to be minimal by the Directors. The Group does not hold or issue any derivative financial instruments for trading purposes or for hedging against fluctuations in foreign exchange rates, but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CHARGE OF ASSETS

As at 31 December 2009, the Group had banking facilities which were secured by (i) a legal charge over a piece of land located in Longgang, Shenzhen ("Longgang Land"); (ii) a letter of undertaking provided by the Group to mortgage its factory premises currently being constructed on the Longgang Land upon the availability of ownership certificate; (iii) restricted bank deposits of approximately HK$4.5 million; and (iv) corporate guarantees provided by the Company and a subsidiary of the Company.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year under review, apart from the construction of the new production plant in Shenzhen, the Group did not have any significant investments, acquisitions or disposal of subsidiaries and associated companies. The Group will continue to seek opportunities to acquire or cooperate with customers and suppliers in order to generate more returns for our shareholders.

CONTINGENT LIABILITIES

As at 31 December 2009, the Group and the Company had no significant contingent liabilities.

PROSPECTS

The economic conditions and the market environment were very challenging in year 2009. The depressed global economic conditions affected the furniture industry adversely, which was evident by the drop of the Group's export sales. As a result, the Group placed more emphasis on its domestic market for the year 2009. With the massive economic stimulus package implemented by various countries, the global economy has been stabilized. The Directors are optimistic about the prospects of the domestic and overseas furniture markets in the long run.

In 2008, the Group laid the foundation for its new production plant in Shenzhen. The new production plant is equipped with advanced machines and equipments. The new production plant commenced its operations in the first quarter of 2010, and it will subsequently increase the maximum annual production capacity of the Group to meet the demand in coming years. With the operation of the new plant, the Group is taking steps to consolidate and restructure some of its operating units to fortify its foundation for future development so that the Group will be able to achieve enhanced cost effectiveness.

In 2010, taking into account of possible changes in governmental policies, the Group will continue to implement its long-term development strategies. These include expending on employee relations activities for morale boosting, promoting our brands, expanding our sales network and further enhancing our design and development capability.

Looking ahead, the management believes that with its extensive sales network, solid research and development foundation as well as its enhanced manufacturing facilities, the Group is capable of meeting customers' different needs. Furthermore, the management will explore appropriate investing and acquisition opportunities. The Group is committed to becoming a leading home furniture provider who meets the needs of consumers and to bringing favorable returns to the shareholders of the Company. The management is optimistic about the Group's prospects in the foreseeable future.

DIVIDENDS

Interim dividend of HK1.05 cents (30 June 2008: HK2.65 cents) per share was declared and paid during the year. The Board recommend the payment of a final dividend of HK1.40 cents per share (2008: Nil) to the shareholders whose names appear on the Register of Members of the Company as at the close of business on 2 June 2010. The final dividend will be payable on 9 June 2010 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 31 May 2010 to 2 June 2010, 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 28 May 2010.

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

The shares of the Company were successfully listed on the Main Board of the Stock Exchange on 22 June 2009. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after listing.

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.

The Company has complied with most of the code provisions set out in the Appendix 14 – Code on Corporate Governance Practices (the "Code") to the Listing Rules since the listing of the shares of the Company on the Main Board of the Stock Exchange on 22 June 2009 (being the first date of listing) to 31 December 2009 (the "Period"), except for the deviation from the code provision A.2.1 of the Code as described below.

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 confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors' securities transactions since the listing of the shares of the Company on the Stock Exchange on 22 June 2009.

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 2009.

PUBLICATION OF ANNUAL RESULTS AND 2009 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 2009 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, 26 March 2010

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

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