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 2011

HIGHLIGHTS

- Revenue for the year ended 31 December 2011 amounted to HK$633.0 million, an increase of 24.9% compared with the financial year of 2010.

- Profit attributable to equity shareholders of the Company amounted to HK$41.4 million, a growth of 3.5% as compared with the financial year of 2010.

- The Company proposed to declare a final dividend of HK1.95 cents per ordinary share.

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 2011 with comparative figures for the corresponding year ended 31 December 2010.

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	**2011**	2010
		HK$'000	*HK$'000*
Turnover	4	**633,008**	506,693
Cost of sales		**(486,786)**	(383,583)
Gross profit		**146,222**	123,110
Other income	5	**6,733**	3,551
Selling and distribution expenses		**(62,203)**	(45,819)
Administrative expenses		**(39,678)**	(32,737)
Profit from operating activities		**51,074**	48,105
Finance costs	6(a)	**(2,437)**	(2,635)
Profit before taxation	6	**48,637**	45,470
Income tax	7	**(2,914)**	(5,170)
Profit for the year		**45,723**	40,300
Attributable to:			
Equity shareholders of the Company		**41,418**	40,003
Non-controlling interests		**4,305**	297
Profit for the year		**45,723**	40,300
Earnings per share (HK cents)	9		
– Basic		**18.01**	19.89
– Diluted		**17.81**	19.61

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011
(Expressed in Hong Kong dollars)

	Note	**2011**	2010
		HK$'000	*HK$'000*
Profit for the year		**45,723**	40,300
Other comprehensive income/(loss) for the year	8		
Exchange differences on translation of financial statements of overseas subsidiaries		**12,107**	7,528
Available-for-sale investments:			
Loss on fair value changes of available-for-sale investments		**(15)**	(1,031)
Reclassification adjustments upon disposal of available-for-sale investments		**(2,563)**	–
		9,529	6,497
Total comprehensive income for the year		**55,252**	46,797
Attributable to:			
Equity shareholders of the Company		**50,947**	46,500
Non-controlling interests		**4,305**	297
Total comprehensive income for the year		**55,252**	46,797

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2011
(Expressed in Hong Kong dollars)

	Note	**2011**	2010
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**266,997**	163,214
Prepaid lease payments		**49,791**	48,503
Goodwill		**52,120**	–
Available-for-sale investments		**44**	7,280
		368,952	218,997
Current assets			
Prepaid lease payments		**1,119**	1,066
Inventories		**111,442**	80,715
Trade and other receivables	11	**120,728**	68,296
Restricted bank deposits		**10,757**	17,040
Cash and cash equivalents		**123,630**	131,662
		367,676	298,779
Current liabilities			
Trade and other payables	12	**201,303**	131,227
Current portion of secured bank loans		**124,904**	75,424
Current taxation		**2,721**	1,531
		328,928	208,182
Net current assets		**38,748**	90,597
Total assets less current liabilities		**407,700**	309,594
Non-current liabilities			
Non-current portion of secured bank loans		**–**	8,532
NET ASSETS		**407,700**	301,062

	Note	**2011**	2010
		HK$'000	*HK$'000*
CAPITAL AND RESERVES			
Share capital	13	**2,424**	2,060
Reserves		**396,887**	299,002
Total equity attributable to equity shareholders of the Company		**399,311**	301,062
Non-controlling interests		**8,389**	–
TOTAL EQUITY		**407,700**	301,062

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. The principal activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-base furniture, sofa, 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

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 a number of amendments to HKFRSs and one new Interpretation that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- HKAS 24 (revised 2009), *Related party disclosures*
- Improvements to HKFRSs (2010)
- HK(IFRIC) 19, *Extinguishing financial liabilities with equity instruments*
- Amendments to HK(IFRIC) 14, HKAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*

Other than as noted below, the adoption of the new amendments and interpretation had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

HKAS 24 (revised 2009), Related party disclosures

The revised accounting policy revises the definition of a related party. As a result, the Group has reassessed the identification of related parties and concluded that the revised definition does not have any material impact on the Group's related party disclosures in the current and previous period. HKAS 24 (revised 2009) also introduces modified disclosure requirements for government-related entities. This does not impact the Group because the Group is not a government-related entity.

4. TURNOVER

The principal activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly panel furniture, sofa and bed mattresses and licensing of its own brands.

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:

	2011	2010
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**600,853**	481,386
Licensing income	**32,155**	25,307
	633,008	506,693

5. OTHER INCOME

	2011	2010
	HK$'000	*HK$'000*
Available-for-sale investments		
– loss on disposal	**(2,187)**	–
– reclassified from equity on disposal	**2,563**	–
Bank interest income	**973**	305
Dividend income from available-for-sale investments	**89**	112
Gain on disposal of property, plant and equipment	**20**	–
Government grant (i)	**4,545**	2,470
Sales of scrap materials	**405**	459
Others	**325**	205
	6,733	3,551

(i) In 2011, the Group successfully applied for the funding support from the Shenzhen Enterprise Technical Innovation Project (深圳市企業技術改造項目) (the "Project") set up by the Shenzhen Bureau of Trade and Industry of the People's Republic of China ("PRC"). The purpose of the Project is to encourage enterprise to develop technical knowhow of different products.

In 2010, the Group successfully applied for the funding support from the Shenzhen Small and Medium Size Enterprise Development Fund (深圳市中小企業發展專項資金) (the "Fund"), set up by the PRC Government. The purpose of the Fund is to encourage small to medium size enterprise to go listing.

6. PROFIT BEFORE TAXATION

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

(a) Finance costs

	2011	2010
	HK$'000	*HK$'000*
Interest on secured bank loans repayable within 5 years (i)	**4,467**	2,612
Interest on short-term borrowing	**243**	23
Total borrowing costs	**4,710**	2,635
Less: interest capitalised (ii)	**(2,273)**	–
	2,437	2,635

(i) The analysis shows the finance costs of bank loans, including those which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements. The interest on bank borrowings for the year which contain a repayment on demand clause was HK$4,423,000 (2010: HK$1,921,000).

(ii) Interest has been capitalised to construction in progress at an average annual rate of 7.03% (2010: nil%) during the year.

(b) Staff costs

	2011	2010
	HK$'000	*HK$'000*
Directors' remuneration	**5,068**	3,545
Wages and salaries	**84,157**	64,597
Equity-settled share-based payment expenses*	**1,748**	2,148
Retirement scheme contributions*	**5,725**	4,128
	96,698	74,418

* *excluded amount paid to directors*

(c) Other items

	2011	2010
	HK$'000	*HK$'000*
Auditor's remuneration	**897**	883
Amortisation of prepaid lease payments	**1,119**	1,066
Bad debts written off	**–**	183
Cost of inventories sold#	**477,772**	386,321
Depreciation	**11,551**	8,026
Exchange gain, net	**(3,245)**	(245)
Write-down of inventories recognised/(reversed)	**9,014**	(2,746)
Impairment of trade receivables reversed	**(358)**	(3,426)
(Gain)/loss on disposal of property, plant and equipment, net	**(20)**	487
Operating lease rentals: minimum lease payments – land and buildings	**13,311**	9,362

\# *Cost of inventories sold includes HK$78,203,000 (2010: HK$59,575,000) relating to staff costs, depreciation and amortisation expenses and operating lease charges, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.*

7. INCOME TAX IN THE CONSOLIDATED INCOME STATEMENT

Taxation in the consolidated income statement represents:

	2011	2010
	HK$'000	*HK$'000*
Current year provision		
– Hong Kong Profits Tax	**585**	52
– PRC Enterprise Income Tax	**2,303**	3,385
Prior year underprovision/(overprovision)		
– Hong Kong Profits Tax	**–**	(174)
– PRC Enterprise Income Tax	**26**	1,907
	2,914	5,170

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

	2011	2010
	HK$'000	*HK$'000*
Profit before taxation	**48,637**	45,470
Notional tax on profit before taxation	**8,025**	7,503
Tax effect of non-deductible expenses (vi)	**2,528**	280
Tax effect of non-taxable income (vii)	**(7,752)**	(6,953)
Tax effect of different tax rates of subsidiaries operating in the PRC	**57**	917
Tax effect of unrecognised temporary differences	**52**	7
Tax effect of utilisation of tax losses not recognised previously	**(672)**	213
Tax effect of unused tax losses not recognised	**568**	1,456
Prior year underprovision	**26**	1,733
Others	**82**	14
Actual tax expense	**2,914**	5,170

(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 2011 is calculated at 16.5% (2010: 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 2011 (2010: Nil) is made as it has been dormant since its incorporation.

(iv) 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%.

(v) 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 enjoyed a preferential tax rate of 15%, the tax rate would 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, would 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 Company Limited ("Dongguan Super Furniture") was subject to the PRC Enterprise Income Tax ("EIT") rate of 25% in 2011 (2010: 12.5%).

Shenzhen Xingli Furniture Company Limited ("Shenzhen Xingli") was subject to the PRC EIT rate of 24% in 2011 (2010: 22%).

Shenzhen Xingli Zundian Furniture Company Limited was subject to the PRC EIT rate of 24% in 2011 (2010: 22%).

Shenzhen Oulo Furniture Company Limited ("Shenzhen Oulo") was incorporated in September 2005 and did not generate any assessable profit in 2005 to 2006 and therefore, it was not required to pay any PRC EIT for the years 2005 and 2006. Shenzhen Oulo was exempted from the PRC EIT in 2007 and 2008, being its first two profitable years, and a 50% tax reduction of the PRC EIT rate of 25% in 2009 under the New EIT Law till 2011.

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

(vii) 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/(LOSS)

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

	2011			2010		
	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	**12,107**	**–**	**12,107**	7,528	–	7,528
Available-for-sale investments:						
Loss on fair value changes of available-for-sale investments	**(15)**	**–**	**(15)**	(1,031)	–	(1,031)
Reclassification adjustments upon disposal of available-for-sale investments	**(2,563)**	**–**	**(2,563)**	–	–	–
Other comprehensive income	**9,529**	**–**	**9,529**	6,497	–	6,497

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$41,418,000 (2010: HK$40,003,000) and the weighted average number of ordinary shares of the Company in issue during the year ended 31 December 2011 of 230,031,289 (2010: 201,100,392) ordinary shares. The weighted average of 230,031,289 (2010: 201,100,392) shares in issue during the year is calculated as follows:

	2011 ***Number of shares***	2010 *Number of shares*
Issued ordinary shares at 1 January	**205,994,675**	200,000,000
Effect of shares issued relating to acquisition of subsidiaries	**24,036,614**	–
Effect of share options exercised	**–**	1,100,392
Weighted average number of ordinary shares at 31 December	**230,031,289**	201,100,392

(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$41,418,000 (2010: HK$40,003,000) and the weighted average number of ordinary shares (diluted) of 232,527,403 shares (2010: 204,004,679 shares), calculated as follows:

	2011 ***Number of shares***	2010 *Number of shares*
Weighted average number of ordinary shares at 31 December	**230,031,289**	201,100,392
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**2,496,114**	2,904,287
Weighted average number of ordinary shares (diluted) at 31 December	**232,527,403**	204,004,679

10. SEGMENT REPORTING

In 2011, the Group's production in the PRC was enhanced to include sofa products after acquisition of Astromax Investment Limited. Accordingly, the Group's internal financial reporting and monitoring has been reinforced and the Group has identified operating segments based on similar economic characteristics, products and services. The operating segments are identified by a member of the senior management who is designated as the "Chief Operating Decision Maker" to make decisions about resource allocation to the segments and assess their performance. Summary of the operating segments is as follows:

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

For comparison purposes, the 2010 figure in segment reporting have been reclassified to reflect the changes. These reclassifications have no impact on the Group's previously reported consolidated income statement, consolidated statement of financial position, statement of cash flows and statement of shareholders' equity.

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 2011 and 2010 is set out below:

	2011				2010 (restated)			
	Panel-furniture	**Upholstered furniture**	**Unallocated**	**Consolidated**	Panel-furniture	Upholstered furniture	Unallocated	Consolidated
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Revenue from external customers	**476,750**	**156,258**	**–**	**633,008**	450,751	55,942	–	506,693
Inter-segment revenue	**–**	**5,132**	**–**	**5,132**	–	868	–	868
Reportable segment revenue	**476,750**	**161,390**	**–**	**638,140**	450,751	56,810	–	507,561
Interest income	**–**	**–**	**973**	**973**	–	–	305	305
Interest expense	**–**	**–**	**(2,437)**	**(2,437)**	–	–	(2,635)	(2,635)
Depreciation and amortisation	**(10,957)**	**(1,713)**	**–**	**(12,670)**	(8,980)	(112)	–	(9,092)
Reportable segment profit	**34,847**	**12,858**	**–**	**47,705**	51,858	5,055	–	56,913
Other material non-cash items:								
Impairment of trade receivables reversed	**224**	**134**	**–**	**358**	3,426	–	–	3,426
Write-down of inventories (recognised)/reversed	**(8,994)**	**(20)**	**–**	**(9,014)**	2,753	(7)	–	2,746
Reportable segment assets	**484,073**	**63,492**	**189,063**	**736,628**	328,565	20,806	168,405	517,776
Expenditures for non-current assets	**102,664**	**681**	**–**	**103,345**	32,419	398	2,377	35,194
Reportable segment liabilities	**162,309**	**12,764**	**153,855**	**328,928**	112,451	11,927	92,336	216,714

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

	2011	2010 (restated)
	HK$'000	*HK$'000*
Revenues		
Reportable segment revenue	**638,140**	507,561
Elimination of intersegment revenue	**(5,132)**	(868)
Consolidated revenue *(note 4)*	**633,008**	506,693
Profit or loss		
Reportable segment profit	**47,705**	56,913
Other income	**6,733**	3,551
Unallocated amounts:		
Interest expense	**(2,437)**	(2,635)
Other head office and corporate expenses	**(3,364)**	(12,359)
Consolidated profit before taxation	**48,637**	45,470
Assets		
Total assets for reportable segments	**547,565**	349,371
Available-for-sale investments*	**44**	7,280
Unallocated head office and corporate assets	**189,019**	161,125
Consolidated total assets	**736,628**	517,776
Liabilities		
Total liabilities for reportable segments	**175,073**	124,378
Current taxation	**2,721**	1,531
Unallocated head office and corporate liabilities	**151,134**	90,805
Consolidated total liabilities	**328,928**	216,714

* *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 property, plant and equipment and 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.

	2011		2010	
	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 PRC)	**188,473**	**1,823**	152,057	2,385
Europe	**27,870**	**–**	10,550	–
PRC	**384,810**	**367,085**	336,744	209,332
Others	**31,855**	**–**	7,342	–
	633,008	**368,908**	506,693	211,717

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.

(d) Major customers

The Group's customer base is diversified and there is no customer with whom transactions have exceeded 10% of the Group's revenues in 2011 and 2010.

11. TRADE AND OTHER RECEIVABLES

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Trade debtors and bills receivable	**50,365**	34,572
Less: allowance for doubtful debts *(note 11(b))*	**(3,346)**	(3,528)
	47,019	31,044
Deposits paid for purchase of property, plant and equipment	**16,897**	7,127
Deposits paid to suppliers	**32,705**	11,742
Value added tax recoverable	**13,562**	6,168
Other deposits, prepayments and receivables	**10,545**	12,215
	73,709	37,252
	120,728	68,296

The amount of the Group's and the Company's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$2,680,000 (2010: HK$2,851,000) and HK$nil (2010: HK$nil) respectively. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

(a) Ageing analysis

Included in trade and other receivables are trade debtors and bills receivable (net of allowance for doubtful debts) with the following ageing analysis as of the end of the reporting period:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Current	**35,731**	23,490
Less than 3 months past due	**4,428**	5,735
3 to 6 months past due	**3,455**	818
6 to 12 months past due	**1,862**	806
More than 12 months past due	**1,543**	195
	47,019	31,044

Trade debtors and bills receivable are non-interest bearing and are generally 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:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
At 1 January	**3,528**	6,954
Exchange realignment	**176**	–
Impairment loss reversed	**(358)**	(3,426)
At 31 December	**3,346**	3,528

At 31 December 2011, the Group's trade debtors and bills receivable of HK$3,346,000 (2010: HK$3,528,000) were individually determined to be impaired. The individually impaired receivables related to customers that were in financial difficulties and management assessed that only a portion of the receivables is expected to be recovered. The Group does not hold any collateral over these balances.

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

Receivables that were neither past due nor impaired related to customers for whom there was no default.

Receivables that were past due but not impaired related to customers that have good creditworthiness. Based on past experience, the management believes that no impairment 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. The Group does not hold any collateral over these balances.

12. TRADE AND OTHER PAYABLES

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Trade creditors and bills payable	**131,914**	77,800
Accrued charges	**29,930**	24,397
Receipts in advance	**18,293**	15,418
Payables for purchase of property, plant and equipment	**14,308**	6,499
Other payables	**6,858**	7,113
	69,389	53,427
	201,303	131,227

The ageing analysis of trade creditors and bills payable as of the end of the reporting period is as follows:

	The Group	
	2011	2010
	HK$'000	*HK$'000*
Within 3 months	**113,860**	59,862
3 months to 1 year	**16,070**	14,891
Over 1 year	**1,984**	3,047
	131,914	77,800

13. SHARE CAPITAL

	2011		2010	
	Number of ordinary shares of HK$0.01 each	**Amount**	Number of ordinary shares of HK$0.01 each	Amount
		HK$'000		*HK$'000*
Authorised:				
At 31 December	**1,000,000,000**	**10,000**	1,000,000,000	10,000
Issued and fully paid:				
At 1 January	**205,994,675**	**2,060**	200,000,000	2,000
Issued upon acquisition of subsidiaries	**36,404,000**	**364**	–	–
Issued under share option scheme	**–**	**–**	5,994,675	60
At 31 December	**242,398,675**	**2,424**	205,994,675	2,060

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.

14. DIVIDENDS

Interim dividend of HK2.30 cents (30 June 2010: HK1.70 cents) per share of HK$0.01 each (the "Share") was declared and paid during the year. The Board recommend the payment of a final dividend of HK1.95 cents per Share (2010: HK3.20 cents) to the shareholders whose names appear on the Register of Members of the Company as at the close of business on 18 May 2012. The final dividend will be payable on 24 May 2012 and is subject to the approval of shareholders of the Company in the forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the Chinese Government's macroeconomic austerity measures affected the sales of our classical furniture in some major cities. Thanks to the Group's PRC domestic market development strategy which has extended its PRC domestic sales network to third and fourth tier cities, the Group managed to enjoy sales growth of 14.3% in the PRC domestic market despite the unfavourable environments in China.

In addition to focusing on the PRC domestic market, for our overseas markets, the Group also aimed to deliver value-added services to further enhance customer relationship. As a result, the Group achieved a sales growth of 46.4% in the overseas markets.

FINANCIAL REVIEW

Turnover

The Group's turnover increased by approximately 24.9% from about HK$506.7 million for the year ended 31 December 2010 to HK$633.0 million for the year ended 31 December 2011. The increase was primarily due to the contribution from City Leading Limited, being the intermediate holding company of 深圳歐羅家具有限公司 (Shenzhen Oulo Furniture Company Limited), the sofa manufacturing subsidiary and the increases in domestic sales of approximately HK$45.6 million or 14.9%. The increase in the domestic sales during the year was due to the increase in demand of middle to high-end wooden furniture products, in particular the modern furniture series, resulting from increasing demand for the Group's trendy design furniture and the sales network extension.

Gross Profit

During the period under review, the Group's gross profit margin decreased to 23.1% for the year ended 31 December 2011 (2010: 24.3%). The decrease in gross profit margin was a result of increase in wages and increase in costs of major raw materials (such as MDF board, ironware, paint and sponge) and the costs of transportation when compared with the corresponding year of 2010.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK$62.2 million for the year ended 31 December 2011, against about HK$45.8 million for the year ended 31 December 2010. The increase in selling and distribution expenses was a result of the increase in staff costs, marketing promotional expenses and the general increase of expenses which were in line with the increase in turnover.

Administrative Expenses

For the year ended 31 December 2011, the Group's administrative expenses were approximately HK$39.7 million against about HK$32.7 million for the year ended 31 December 2010, representing an increase of about 21.1%. Such increase was mainly attributable to the increase in the staff costs.

Net Profit

The Group's net profit attributable to equity holders of the Company increased by approximately 3.5% from approximately HK$40.0 million for the year ended 31 December 2010 to approximately HK$41.4 million for the year ended 31 December 2011, and the net profit ratio decreased from 8.0% to 6.5%.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2011, the Group employed approximately 1,500 employees (2010: 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 condition. Other benefits available to eligible employees include retirement benefits and medical insurance schemes. Share options may also be granted to eligible employees of the Group and other eligible participants.

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

LIQUIDITY AND FINANCIAL RESOURCES

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

The Group maintained cash and bank balances of HK$123.6 million as at 31 December 2011 (31 December 2010: HK$131.7 million).

As at 31 December 2011, the Group had bank borrowings amounting to HK$124.9 million (31 December 2010: HK$84.0 million). As at the same date, the gearing ratio (total debt/total equity) was 0.81 (31 December 2010: 0.72).

As at 31 December 2011, the current ratio (current assets/current liabilities) was 1.1 times (31 December 2010: 1.4) and the net current assets amounted to HK$38.7 million (31 December 2010: HK$90.6 million).

SEGMENT INFORMATION

An analysis of the Group's turnover and contribution to operating profit for the year by principal activities is set out in Note 10 to the financial statements of this annual results announcement.

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. 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 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 2011, 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) restricted bank deposits of approximately HK$10.8 million; (iv) guarantees from the Government of the HKSAR under the Special Loan Guarantee Scheme and the SME Loan Guarantee Scheme.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year under review, the Group acquired a 60% 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) ("Oulo"), a sofa manufacturer. The consideration for the acquisition was satisfied by the issue and allotment of 36,404,000 ordinary shares of HK$0.01 each of the Company. The established sales network and customer base of Oulo strengthen the sales network and introduce a new source of income to the Group, and enable the Group to secure the supply and better control the quality of sofa products which complement its wooden furniture products.

In addition, the construction of the second phase of the Group's new production plant in Shenzhen was completed. The new production plant will increase the maximum annual production capacity of the Group to meet the demand in coming years.

CONTINGENT LIABILITIES

As at 31 December 2011, the Group and the Company had no significant contingent liabilities.

PROSPECTS

Looking forward to the financial year 2012, the global economy is expected to be challenging with many uncertainties. There are lots of challenges in China where the Group operates, including the implementation of various macroeconomic austerity measures by the Chinese Central Government to cool down the property market, the increase of material costs and labour costs and Renminbi appreciation, etc. The operating environment will be burdened with these factors.

The Group will continue to strengthen its position in the medium to high-end home furniture markets with its plan to explore opportunities on distribution network expansion. To enhance its competitive strength, the Group will continue to actively participate in various international furniture exhibitions and marketing promotions and strengthen its design capacity.

The Group will also explore potential mergers and acquisition opportunities at appropriate time to further secure our market position and hence enhance shareholders' value.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"), 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 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 2011.

DIVIDENDS

Interim dividend of HK2.30 cents (30 June 2010: HK1.70 cents) per share of HK$0.01 each (the "Share") was declared and paid during the year. The Board recommend the payment of a final dividend of HK1.95 cents per Share (2010: HK3.20 cents) to the shareholders whose names appear on the Register of Members of the Company as at the close of business on 18 May 2012. The final dividend will be payable on 24 May 2012 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 17 May 2012 to 18 May 2012, 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 16 May 2012.

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 2011 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 2011 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, 28 March 2012

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