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 2010

HIGHLIGHTS

- Revenue for the year ended 31 December 2010 amounted to HK$506.7 million, an increase of 15.3% compared with the financial year of 2009.
- Profit attributable to equity shareholders of the Company amounted to HK$40.0 million, a growth of 113.2% as compared with the financial year of 2009.
- Basic earnings per share increased by 87.1% to HK19.89 cents as compared with the financial year of 2009.
- The Company proposed to declare a final dividend of HK3.2 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 2010 with comparative figures for the corresponding year ended 31 December 2009.

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 2010

	Note	**2010**	2009
		HK$'000	*HK$'000*
Turnover	4	**506,693**	439,358
Cost of sales		**(383,583)**	(349,071)
Gross profit		**123,110**	90,287
Other income	5	**3,551**	3,123
Selling and distribution expenses		**(45,819)**	(41,351)
Administrative expenses		**(32,737)**	(29,451)
Profit from operating activities		**48,105**	22,608
Finance costs	6(a)	**(2,635)**	(623)
Profit before taxation	6	**45,470**	21,985
Income tax	7	**(5,170)**	(2,360)
Profit for the year		**40,300**	19,625
Attributable to:			
Equity shareholders of the Company		**40,003**	18,760
Non-controlling interests		**297**	865
Profit for the year		**40,300**	19,625
Earnings per share (HK cents)	9		
– Basic		**19.89**	10.63
– Diluted		**19.61**	10.54

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Note	**2010**	2009
		HK$'000	*HK$'000*
Profit for the year		**40,300**	19,625
Other comprehensive income for the year	8		
Exchange differences on translation of financial statements of overseas subsidiaries		**7,528**	271
Changes in fair value of available-for-sale investments recognised during the year		**(1,031)**	3,604
		6,497	3,875
Total comprehensive income for the year		**46,797**	23,500
Attributable to:			
Equity shareholders of the Company		**46,500**	22,628
Non-controlling interests		**297**	872
Total comprehensive income for the year		**46,797**	23,500

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2010

	Note	**2010** *HK$'000*	2009 *HK$'000*
Non-current assets			
Property, plant and equipment		**163,214**	132,012
Prepaid lease payments		**48,503**	47,906
Available-for-sale investments		**7,280**	8,262
		218,997	188,180
Current assets			
Prepaid lease payments		**1,066**	1,030
Inventories		**80,715**	68,662
Trade debtors and bills receivable	11	**31,044**	27,661
Prepayments, deposits and other receivables		**37,252**	27,207
Restricted bank deposits		**17,040**	14,188
Cash and cash equivalents		**131,662**	86,773
		298,779	225,521
Current liabilities			
Trade payables	12	**77,800**	48,052
Other payables and accrued charges		**53,427**	41,715
Current portion of secured bank loans		**75,424**	16,850
Current taxation		**1,531**	949
		208,182	107,566
Net current assets		**90,597**	117,955
Total assets less current liabilities		**309,594**	306,135
Non-current liabilities			
Non-current portion of secured bank loans		**8,532**	42,518
NET ASSETS		**301,062**	263,617

	Note	**2010** *HK$'000*	2009 *HK$'000*
CAPITAL AND RESERVES			
Share capital	14	**2,060**	2,000
Reserves		**299,002**	256,400
Total equity attributable to equity shareholders of the Company		**301,062**	258,400
Non-controlling interests		**–**	5,217
Total equity		**301,062**	263,617

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. BASIC 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 two revised HKFRSs, a number of amendments to HKFRSs and two 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 financial statements:

- HKFRS 3 (revised 2008), *Business combinations*
- Amendments to HKAS 27, *Consolidated and separate financial statements*
- Amendments to HKFRS 5, *Non-current assets held for sale and discontinued operations – plan to sell the controlling interest in a subsidiary*
- Amendment to HKAS 39, *Financial instruments: Recognition and measurement – eligible hedged items*
- Improvements to HKFRSs (2009)
- HK(IFRIC) 17, *Distributions of non-cash assets to owners*
- HK (Int) 5, *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause*

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

HKFRS 3 (Revised) – Business Combinations and HKAS 27(Revised) – Consolidated and Separate Financial Statements

The revised accounting policies are effective prospectively for business combinations effected in financial periods beginning on or after 1 July 2009. Changes in HKFRS 3 include the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes impact the amount of goodwill and the results in the period that an acquisition occurs and future results. The adoption of revised HKFRS 3 has had no material impact to the Group's financial statements as the amendment was consistent with policies already adopted by the Group.

The revised HKAS 27 requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners, any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received shall be recognised directly in equity and attributed to the owners of the parent. When control is lost and any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The adoption of revised HKAS 27 has had no material impact to the Group's financial statements as the amendment was consistent with policies already adopted by the Group.

HKAS 17 (Amendments) – Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 has been amended in relation to the classification of leasehold land. Before the amendment to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the statement of financial position. The amendment to HKAS 17 has removed such a requirement and requires that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee. The Group has reassessed the classification of leasehold land of its unexpired leases at 1 January 2010 on the basis of information existing at the inception of those leases and concluded that the classification of such leases as operating leases continues to be appropriate.

HK Interpretation 5 – Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The Interpretation is a clarification of an existing standard, HKAS 1 Presentation of Financial Statements. It sets out the conclusion reached by the HKICPA that a term loan which contains a clause which gives the lender the unconditional right to demand repayment at any time shall be classified as a current liability in accordance with paragraph 69(d) of HKAS 1 irrespective of the probability that the lender will invoke the clause without cause.

In order to comply with the requirements of HK Interpretation 5, the Group has changed its accounting policy on the classification of term loans that contain a repayment on demand clause. Under the new policy, term loans with clauses which give the lender the unconditional right to call the loan at any time are classified as current liabilities in the statement of financial position. Previously such term loans were classified in accordance with the agreed repayment schedule unless the Group had breached any of the loan covenants set out in the agreement as of the reporting date or otherwise had reason to believe that the lender would invoke its rights under the immediate repayment clause within the foreseeable future.

The new accounting policy has had no effect on the reported classification of borrowings in previous year, accordingly, no retrospective reclassification is presented.

4. TURNOVER

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

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:

	2010	2009
	HK$'000	*HK$'000*
Turnover		
Sale of goods	**481,386**	428,747
Licensing income	**25,307**	10,611
	506,693	439,358

5. OTHER INCOME

	2010	2009
	HK$'000	*HK$'000*
Bank interest income	**305**	101
Dividend income	**112**	121
Government subsidy	**2,470**	–
Overprovision of tax penalty	**–**	2,417
Others	**664**	484
	3,551	3,123

6. PROFIT BEFORE TAXATION

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

(a) Finance costs

	2010	2009
	HK$'000	*HK$'000*
Interest on secured bank loans repayable within 5 years (i)	**2,612**	4,112
Interest on short-term borrowing	**23**	–
Total borrowing costs	**2,635**	4,112
Less: interest capitalised (ii)	**–**	(3,489)
	2,635	623

(i) The analysis shows the finance costs of bank loans, including these 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$1,921,000 (2009: nil).

(ii) Interest has been capitalised to construction in progress at an average annual rate of nil% (2009: 7.92%) during the year.

(b) Staff costs

	2010	2009
	HK$'000	*HK$'000*
Directors' remuneration	**3,545**	3,319
Wages and salaries	**64,597**	43,597
Equity-settled share-based payment expenses	**2,148**	299
Retirement scheme contributions	**4,128**	2,705
	74,418	49,920

(c) Other items

	2010	2009
	HK$'000	*HK$'000*
Auditors' remuneration	**883**	800
Amortisation of prepaid lease payments	**1,066**	1,030
Bad debts written off	**183**	501
Cost of inventories sold (i)	**383,583**	349,071
Depreciation	**8,026**	5,162
Exchange (gain)/loss, net	**(245)**	397
Impairment of inventories (reversed)/recognised	**(2,746)**	3,095
Impairment of trade receivables (reversed)/recognised	**(3,426)**	2,266
Loss on disposal of property, plant and equipment, net	**487**	–
Operating lease rentals: minimum lease payments		
– land and buildings	**9,362**	8,927

(i) Cost of inventories sold includes HK$56,829,000 (2009: HK$45,268,000) 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:

	2010	2009
	HK$'000	*HK$'000*
Current year provision		
– Hong Kong Profits Tax	**52**	–
– PRC Enterprise Income Tax	**3,385**	2,159
Prior year underprovision/(overprovision)		
– Hong Kong Profits Tax	**(174)**	(1)
– PRC Enterprise Income Tax	**1,907**	202
	5,170	2,360

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

	2010	2009
	HK$'000	*HK$'000*
Profit before taxation	**45,470**	21,985
Notional tax on profit before taxation	**7,503**	3,628
Tax effect of non-deductible expenses (v)	**280**	2,199
Tax effect of non-taxable income (vi)	**(6,953)**	(3,274)
Tax effect of different tax rates of subsidiaries operating in the PRC	**917**	(761)
Tax effect of unrecognised temporary differences	**7**	37
Tax effect of utilisation of tax losses not recognised previously	**213**	(162)
Tax effect of unused tax losses not recognised	**1,456**	467
Prior year underprovision	**1,733**	201
Others	**14**	25
Actual tax expense	**5,170**	2,360

(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 2010 is calculated at 16.5% (2009: 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 2010 (2009: 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%.

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 was incorporated in October 2005 and did not generate any assessable profit in 2005 and therefore, it was not required to pay any PRC Enterprise Income Tax ("EIT") for the year of 2005. Dongguan Super Furniture Company Limited 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 Furniture Company Limited was subject to the PRC EIT rate of 22% in 2010 (2009: 20%).

Shenzhen Xingli Zundian Furniture Company Limited 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 to 31 December 2009. Under the New EIT Law, Shenzhen Xingli Zundian Furniture Company Limited was subject to the PRC EIT rate of 22% for 2010 (2009: 10%).

(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:

	2010			2009		
	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	**7,528**	**–**	**7,528**	271	–	271
Changes in fair value of available-for-sale investments recognised during the year	**(1,031)**	**–**	**(1,031)**	3,604	–	3,604
Other comprehensive income	**6,497**	**–**	**6,497**	3,875	–	3,875

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$40,003,000 (2009: HK$18,760,000) and the weighted average number of ordinary shares of the Company in issue during the year ended 31 December 2010 of 204,910,706 (2009: 176,438,356) ordinary shares. The weighted average of 201,100,392 (2009: 176,438,356) shares in issue during the year is calculated as follows:

	2010	2009
	Number of shares	*Number of shares*
Issued ordinary shares at 1 January 2010	**200,000,000**	–
Shares issued upon capitalisation	**–**	150,000,000
Effect of shares issued under placing and public offering ("Share Offer") on 22 June 2009	**–**	26,438,356
Effect of share option exercised	**1,100,392**	–
Weighted average number of ordinary shares at 31 December	**201,100,392**	176,438,356

(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$40,003,000 (2009: HK$18,760,000) and the weighted average number of ordinary shares (diluted) of 2,904,287 shares (2009: 178,036,618 shares), calculated as follows:

	2010	2009
	Number of shares	*Number of shares*
Weighted average number of ordinary shares at 31 December	**201,100,392**	176,438,356
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	**2,904,287**	1,598,262
Weighted average number of ordinary shares (diluted) at 31 December	**204,004,679**	178,036,618

10. SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services offered. Two reportable operating segments are 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 2010 and 2009 is set out below:

	2010				2009			
	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	**481,386**	**25,307**	**–**	**506,693**	428,747	10,611	–	439,358
Interest income	**–**	**–**	**305**	**305**	–	–	101	101
Interest expense	**–**	**–**	**2,635**	**2,635**	–	–	623	623
Depreciation and amortisation	**9,092**	**–**	**–**	**9,092**	6,192	–	–	6,192
Reportable segment profit	**31,632**	**25,281**	**–**	**56,913**	14,663	10,589	–	25,252
Other material non-cash items:								
Impairment of trade receivables (reversed)/recognised	**(3,426)**	**–**	**–**	**(3,426)**	2,266	–	–	2,266
Impairment of inventories (reversed)/recognised	**(2,746)**	**–**	**–**	**(2,746)**	3,095	–	–	3,095
Reportable segment assets	**463,434**	**18,389**	**35,953**	**517,776**	377,421	5,369	30,911	413,701
Expenditures for non-current assets	**133,627**	**–**	**2,377**	**136,004**	62,615	–	–	62,615
Reportable segment liabilities	**208,318**	**16**	**8,380**	**216,714**	148,181	16	1,887	150,084

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

	2010	2009
	HK$'000	*HK$'000*
Revenues		
Reportable segment revenue – Consolidated turnover	**506,693**	439,358
Profit or loss		
Reportable segment profit	**56,913**	25,252
Other income	**3,551**	3,123
Unallocated amounts:		
Interest expense	**(2,635)**	(623)
Other head office and corporate expenses	**(12,359)**	(5,767)
Consolidated profit before taxation	**45,470**	21,985
Assets		
Total assets for reportable segments	**481,823**	382,790
Available-for-sale investments*	**7,280**	8,262
Unallocated head office and corporate assets	**28,673**	22,649
Consolidated total assets	**517,776**	413,701
Liabilities		
Total liabilities for reportable segments	**208,334**	148,197
Current tax liabilities	**1,531**	949
Unallocated head office and corporate liabilities	**6,849**	938
Consolidated total liabilities	**216,714**	150,084

* *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 ("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.

	2010		2009	
	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"))	**152,057**	**2,385**	112,066	1,143
Europe	**10,550**	**–**	24,901	–
PRC	**336,744**	**209,332**	269,193	178,775
Others	**7,342**	**–**	33,198	–
	506,693	**211,717**	439,358	179,918

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. TRADE DEBTORS AND BILLS RECEIVABLE

The ageing analysis of trade debtors and bills receivable (net of allowance for doubtful debts) as of the end of the reporting period is as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Current	**23,490**	20,216
Less than 3 months past due	**5,735**	3,707
3 to 6 months past due	**818**	3,525
6 to 12 months past due	**806**	213
More than 12 months past due	**195**	–
	31,044	27,661

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

12. TRADE PAYABLES

The ageing analysis of trade payables as of the end of the reporting period is as follows:

	The Group	
	2010	2009
	HK$'000	*HK$'000*
Within 3 months	**59,862**	45,021
3 months to 1 year	**14,891**	2,457
Over 1 year	**3,047**	574
	77,800	48,052

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

13. DIVIDENDS

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

	2010	2009
	HK$'000	*HK$'000*
Interim dividend declared and paid of HK1.65 cents per ordinary share (2009: HK1.05 cents per ordinary share)	**3,400**	2,100
Final dividend proposed after the reporting period of HK3.2 cents per ordinary share (2009: HK1.40 cents per ordinary share)	**6,592**	2,800
Final dividend in respect of previous financial year, approved and paid during the year of HK1.40 cents per ordinary share (2009: Nil per ordinary share)	**2,800**	–
	12,792	4,900

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

14. SHARE CAPITAL

	2010		2009	
	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	**200,000,000**	**2,000**	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
Issued under share option scheme	**5,994,675**	**60**	–	–
At 31 December	**205,994,675**	**2,060**	200,000,000	2,000

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 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 capitalise an amount of HK$1,112,776.80 from the amount outstanding 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 appeared on the register of members of the Company at the close of business on 29 May 2009 or as each of them might 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

During the year under review, the recovery of the global economy, together with the strong PRC economy growth, provided a good business environment. The Group employs the PRC domestic market development as its core strategy. It not only strengthens its relationship with its existing customers, but also strives to extend its PRC domestic sales network to third and fourth tier cities. As a result, the Group managed to enjoy business growth despite the unfavourable environment brought by the Chinese Government's macroeconomic austerity measures.

The new production plant in Shenzhen equipped with advanced equipment commenced its full scale operations during the year under review. The new plant increased the maximum annual production capacity as well as production efficiency of the Group, and laid a foundation for future development of the Group.

Internally, the Group strived to improve the operational efficiency by carrying out study on the production flows and effectively implemented the improvement measures. The materials costs were also effectively controlled through prudent inventory control and procurement management.

During the year under review, the Group acquired an additional 22% equity stake in Hander International Limited ("Hander") and hence its wholly-owned subsidiary namely Dongguan Super Furniture Company Limited, being the mattresses production subsidiary. Together with the 78% already owned by the Group, the acquisition brought the stake of the group in Hander and Dongguan Super Furniture Company Limited to 100% in total. This additional ownership allows the Group to have further operational control over the design and production of mattresses and further share the profit generated by Hander.

To prepare for the huge market potential in high-price point classical furniture, the Group laid the foundation for its second phase of new production plant in Shenzhen in 2010. The new production plant will be equipped with advanced machines and equipment for the production of high-price point classical furniture. It will increase the maximum annual production capacity of the Group to meet the demand in coming years.

FINANCIAL REVIEW

Turnover

The Group's turnover increased by approximately 15.3% from about HK$439.4 million for the year ended 31 December 2009 to HK$506.7 million for the year ended 31 December 2010. The increase was primarily due to the increases in domestic sales of approximately HK$67.6 million or 25.1%. The increase in the domestic sales during the year was due to the increase in demand of middle to high-end 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 increased by 3.8 percentage point to 24.3% for the year ended 31 December 2010 (2009: 20.5%). The prices of major raw materials (such as MDF board, ironware, paint and sponge) and the costs of transportation have generally increased when compared with the corresponding year of 2009. With the full scale operation of the new plant in Shenzhen, the Group is taking steps to consolidate and restructure some of its operating units to fortify its foundation for future development, and as a result, cost effectiveness and production efficiency are enhanced. These not only offset the impact of the increase in material costs, but also further increase the profitability of the Group.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK$45.8 million for the year ended 31 December 2010, against about HK$41.4 million for the year ended 31 December 2009. The increase in selling and distribution expenses is a result of the increase in staff costs and the general increase of expenses which are in line with the increase in turnover.

Administrative Expenses

For the year ended 31 December 2010, the Group's administrative expenses were approximately HK$32.7 million against about HK$29.5 million for the year ended 31 December 2009, representing an increase of about 11.2%. Such increase was mainly attributable to the addition of the new production plant in Shenzhen and the staff costs associated with it.

Net Profit

The Group's net profit attributable to equity holders of the Company surged by approximately 113.2% from approximately HK$18.8 million for the year ended 31 December 2009 to approximately HK$40.0 million for the year ended 31 December 2010, and the net profit ratio increased from 4.5% to8.0%.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2010, the Group employed approximately 1,700 employees (2009: approximately 1,100). 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. During the year under review, share options for the subscription of 12,000,000 shares were granted to 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.

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 that of last year.

The Group maintained cash and bank balances of HK$131.7 million as at 31 December 2010 (31 December 2009: HK$86.8 million).

As at 31 December 2010, the Group has bank borrowings amounting to HK$84.0 million (31 December 2009: HK$59.4 million). As at the same date, the gearing ratio (total debt/total equity) was 0.72 (31 December 2009: 0.57).

As at 31 December 2010, the current ratio (current assets/current liabilities) was 1.4 times (31 December 2009: 2.1) and the net current assets amounted to HK$90.6 million (31 December 2009: HK$118.0 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 2010, 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 being constructed on the Longgang Land upon the availability of ownership certificate; (iii) restricted bank deposits of approximately HK$17.0 million and (iv) corporate guarantees provided by the Company and a subsidiary of the Company.

SIGNIFICANT INVESTMENTS AND ACQUISITIONS

During the year under review, the Group commenced its construction of the second phase of the new production plant in Shenzhen. The Group also acquired 22% of the issued share capital of Hander for a total consideration of HK$9.1 million, increasing the Group's ownership in the existing mattress business to 100%. Apart from the aforesaid, the Group did not have any significant investments, acquisitions or disposal of subsidiaries and associated companies during the year under review. 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 2010, the Group and the Company had no significant contingent liabilities.

PROSPECTS

The labour market in PRC continues to change forward, rising disposable incomes and the Chinese Government's urbanisation policy in fact giving a rapidly expanding middle class the where with a land confidence to invest in the durable goods and furniture to make their living spaces and standard. With PRC's growing domestic consumption and sound economic fundamentals, the Group believes the furniture business in PRC would continue to be a blooming and prosperous market.

Despite our confidence in the Group's future development, we will continue to exercise caution. There are still a lot of challenges, 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. To cope with these challenges, 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. With its successful marketing strategies and optimized product mix, the Group is optimistic that it would be able to further expand its market share in the domestic markets, and to increase recognition worldwide particularly in the international market when the global market further recovers.

The Group will also explore potential mergers and acquisition opportunities at appropriate time.

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 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 2010.

DIVIDENDS

Interim dividend of HK1.70 cents (30 June 2009: HK1.05 cents) per Share was declared and paid during the year. The Board recommend the payment of a final dividend of HK3.2 cents per share (2009: HK1.40 cents) to the shareholders whose names appear on the Register of Members of the Company as at the close of business on 2 June 2011. The final dividend will be payable on 9 June 2011 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 2011 to 2 June 2011, 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 30 May 2011.

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 2010 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 2010 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, 23 March 2011

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