

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for Shares.



Hing Lee (HK) Holdings Limited **興利（香港）控股有限公司**

(Incorporated in the British Virgin Islands and re-domiciled and continued in Bermuda with limited liability)
(Stock code: 396)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL IN ASTROMAX INVESTMENT LIMITED

Acquisition of 60% of the issued share capital of Astromax Investment Limited

On 31 March 2011, the Company and the Purchaser (being a wholly-owned subsidiary of the Company) entered into the Agreement with the Vendor and the Remaining Shareholders, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares (being 60% of the issued share capital in Astromax). Subject to the Profit Guarantee, the consideration payable for the Acquisition shall be HK\$64,800,000, which shall be satisfied by the issue and allotment of the Consideration Shares to the Vendor by the Company at an issue price of HK\$1.78 per Consideration Share upon Completion. Upon Completion, the Purchaser shall hold 60% of the entire issued capital of Astromax, which indirectly holds 100% equity interest in the WFOE through City Leading.

The WFOE is principally engaged in manufacture and sale of sofas to overseas and in the PRC.

Implications under the Listing Rules

As the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement requirement but exempt from the shareholders' approval requirement under the Listing Rules.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

ACQUISITION OF 60% OF THE ISSUED SHARE CAPITAL OF ASTROMAX INVESTMENT LIMITED

THE AGREEMENT

On 31 March 2011, the Company and the Purchaser (being a wholly-owned subsidiary of the Company) entered into the Agreement with the Vendor and the Remaining Shareholders, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the Sale Shares (being 60% of the issued share capital in Astromax). The principal terms of the Agreement are set out below:

Date: 31 March 2011

Parties:

- (a) The Vendor, being Mr. Yuan Han Xiang (袁漢祥)
- (b) The Purchaser, being Great Ample Holdings Limited, a wholly-owned subsidiary of the Company
- (c) The Company
- (d) The Remaining Shareholders, being Mr. Zhou Shao Xiang (周紹祥) and Mr. Yuan Jing Chang (袁敬昌)

To the best knowledge, information and belief of the Directors having made all reasonable enquiries, as at the date of this announcement, the Vendor and the Remaining Shareholders are third parties independent of the Company and its connected persons.

Assets to be acquired: The Sale Shares, which represent 60% of the issued share capital of Astromax. As disclosed in the section headed “Information of the Target Group” below, the principal assets of Astromax is its indirect 100% equity interest in the WFOE.

Consideration: Subject to the Profit Guarantee as set out below, the consideration payable for the Acquisition shall be HK\$64,800,000, which shall be satisfied by the issue and allotment of the Consideration Shares to the Vendor by the Company upon Completion.

The Consideration was determined after arm's length negotiation between the Vendor and the Purchaser based on normal commercial terms and with reference to the existing operating results, earning capacity, further growth prospects, overall financial performance and the net asset value of the WFOE as at 31 December 2010 and represents approximately 9 price-earnings multiples of the guarantee amount Net Profit for the financial year ending 31 December 2011 under the Profit Guarantee (as disclosed below) and the equity interests to be acquired in the Target Group.

Lock-up period:

The Vendor has undertaken to the Company and the Purchaser, subject to Completion, that without the prior written consent of the Company and the Purchaser, he will not:—

- (a) dispose of or create or permit to subsist any encumbrance or other security interest or otherwise deal with any of the Consideration Shares at any time during the period from and including the date of Completion up to but excluding the date falling one year after Completion; and
- (b) dispose of or create or permit to subsist any encumbrance or other security interest or otherwise deal with more than 50% of the Consideration Shares at any time during the period from and including the date falling one year after Completion up to but excluding the date falling two years after Completion.

Profit Guarantee:

The Vendor has undertaken with the Purchaser that for the financial year ending 31 December 2011, the Net Profit shall not be less than HK\$12,000,000.

If there is any shortfall in relation to the Net Profit for the financial year ending 31 December 2011, the Consideration shall be adjusted downwards by an amount equivalent to 1.5 times of the amount of the shortfall. In the event that the Net Profit is a negative figure, the Consideration shall be adjusted downwards by an amount equivalent to the sum of HK\$18,000,000 and the absolute value of such negative figure. The amount of adjustment shall be paid by the Vendor to

the Purchaser within 7 business days after the provision of a certificate from the auditors of the WFOE as designated by the Purchaser certifying the Net Profit to the Vendor by way of a cashier order.

For the avoidance of doubt, if the Net Profit for the financial year ending 31 December 2011 is equal to or exceed HK\$12,000,000, the Consideration shall not be adjusted.

Conditions precedent:

Completion of the Acquisition is conditional upon:

1. the Purchaser having conducted a due diligence investigation in respect of the Target Group including but not limited to the affairs, business, assets and financing structure of the Target Group and the Purchaser being satisfied with the results of such due diligence investigation;
2. no event having occurred since the date of the Agreement to the date of Completion, the consequence of which is to materially and adversely affect the financial position, business or property, results of operations or business prospects of the Target Group;
3. the warranties given by the Vendor in the Agreement remaining true and accurate and not misleading at the date of the Agreements and up to and including the date of Completion; and
4. the listing committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Consideration Shares.

If any of the conditions has not been fulfilled or (in respect of conditions 1, 2 and 3 above) waived by the Purchaser on or before 15 May 2011 or such other date as the Vendor and the Purchaser may otherwise agree, the Agreement and everything therein contained shall, subject to the liability of either party to the other in respect of any breaches of the terms thereof antecedent thereto, be null and void and of no effect.

Completion:

Completion shall take place within 7 business days after all the conditions of the Agreement have been fulfilled or waived (if applicable) or at such other date as shall be mutually agreed by the Vendor and the Purchaser.

Upon Completion, members of the Target Group will become non wholly-owned subsidiaries of the Company and will be accounted for as subsidiaries in the Group's financial statements.

Others:

The Remaining Shareholders have given a first right of refusal in relation to their shareholdings in Astromax in favour of the Purchaser pursuant to the terms of the Agreement.

CONSIDERATION SHARES

Pursuant to the Agreement, 36,404,000 Consideration Shares (representing approximately 17.67% of the existing issued share capital of the Company and assuming no further Shares shall be issued, approximately 15.02% of the then issued share capital of the Company as enlarged by the issue of the Consideration Shares) shall be issued and allotted by the Company to the Vendor as Consideration upon Completion. The issue price of HK\$1.78 per Consideration Share (the “**Issue Price**”) and represents:

- (i) a discount of approximately 1.66% to the closing price of HK\$1.81 per Share as quoted on the Stock Exchange on 31 March 2011, being the date of the Agreement;
- (ii) a premium of approximately 3.13% to the average closing price of approximately HK\$1.73 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 30 March 2011, being the last trading day immediately prior to the date of the Agreement; and
- (iii) a premium of approximately 10.56% to the average closing price of approximately HK\$1.61 per Share as quoted on the Stock Exchange for the last ten consecutive trading days up to and including 30 March 2011, being the last trading day immediately prior to the date of the Agreement.

The Consideration Shares will be allotted and issued pursuant to the general mandate granted to the Directors at the annual general meeting of the Company held on 27 May 2010 (the “**Existing Mandate**”) and will be allotted and issued upon completion. According to the Existing Mandate, the Directors are authorized to exercise the powers of the Company to issue and allot a maximum of 40,000,000 Shares, being 20% the issued share capital of the Company as at the date of passing of the Existing Mandate at the relevant annual general meeting. The Company has not issued and allotted any Share pursuant to the Existing Mandate from the date of grant of the Existing Mandate to the date of this announcement.

The Consideration Shares, when allotted and issued, will be credited as fully paid and will rank pari passu in all respects with the other Shares in issue on the date of allotment and issue of the Consideration Shares (save for any distribution or entitlement by reference to a record date before such date of allotment and issue).

The Directors are of the view that the Consideration is fair and reasonable and in the interest of the Company and the Shareholders a whole.

INFORMATION ON THE TARGET GROUP

Astromax is a company incorporated in the British Virgin Islands on 2 July 2009 with limited liability. Before Completion, Astromax is owned as to 60% by the Vendor and as to 40% by the Remaining Shareholders. The principal business of Astromax is investment holding and its principal asset as at the date hereof is its 100% shareholding in City Leading, which is an investment holding company holding 100% equity interest in the WFOE.

The WFOE is a wholly foreign-owned enterprise established in the PRC on 12 October 2005. The WFOE is principally engaged in the manufacture and sale of sofas to overseas and in the PRC.

Both of Astromax and City Leading have not commenced any business activity save for the investment holding activity for forming the structure of the Target Group and therefore had not recorded any turnover.

According to the unaudited consolidated financial statements of the Target Group as at 31 December 2010 which were prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”), the unaudited total assets of the Target Group was approximately HK\$31,408,000 and the unaudited net assets of the Target Group was approximately HK\$14,809,000).

According to the unaudited management accounts of Astromax as at 31 December 2010 which were prepared in accordance with the HKFRSs, the unaudited total assets of Astromax was approximately HK\$10,084,000 and the unaudited net capital deficiency of Astromax was approximately HK\$13,500. For the period from 2 July 2009 (the date of incorporation of Astromax) to 31 December 2009 and the year ended 31 December 2010, Astromax recorded an unaudited loss (both before and after taxation and extraordinary items) of approximately HK\$8,500 and HK\$5,000 respectively.

According to the unaudited management accounts of City Leading as at 31 December 2010 which were prepared in accordance with the HKFRSs, the unaudited total assets of City Leading was approximately HK\$10,084,000 and the unaudited net capital deficiency of City Leading was approximately HK\$30,000. For the period from 18 December 2009 (the date of incorporation of City Leading) to 31 December 2009 and the year ended 31 December 2010, City Leading recorded an unaudited loss (both before and after taxation and extraordinary items) of approximately HK\$8,000 and HK\$22,000 respectively.

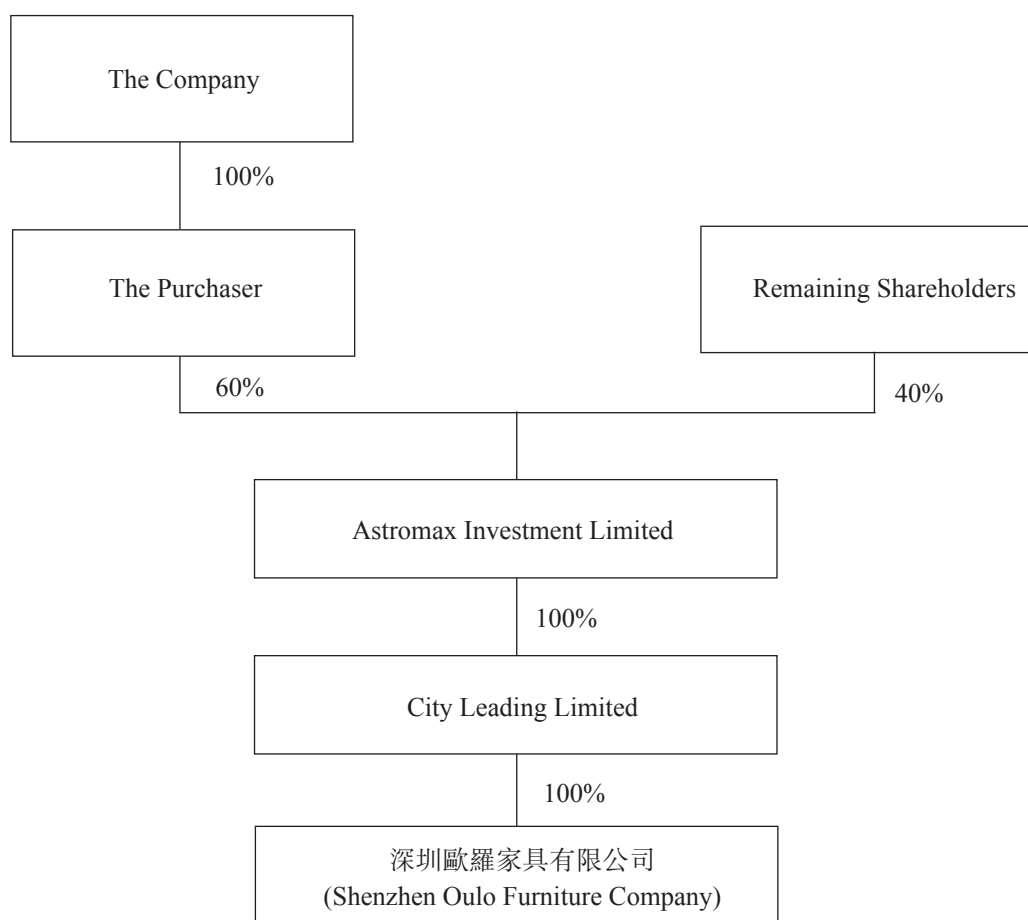
The financial highlights of the WFOE are set out below:-

	For the year ended 31 December 2009 <i>(RMB'000)</i>	For the year ended 31 December 2010 <i>(RMB'000)</i>
Total assets value	29,493	26,474
Net assets	5,876	12,508
Profit / (loss) before taxation and extraordinary items	(587)	7,202
Profit / (loss) after taxation and extraordinary items	(587)	6,632

Note: The financial figures for the financial year ended 31 December 2009 were based on the audited financial statements of the WFOE prepared in accordance with the PRC Generally Accepted Accounting Principles. The financial figures for the year ended 31 December 2010 were based on the unaudited financial statements of the WFDE prepared in accordance with the PRC Generally Accepted Accounting Principals.

After Completion, the Purchaser shall hold 60% of the issued share capital of Astromax, which indirectly holds 100% equity interest in the WFOE through City Leading. Effectively, upon Completion, the Purchaser shall hold a 60% indirect interest in the WFOE and the results of the Target Group will be consolidated into the accounts of the Company.

The shareholding structure of the Target Group after the Acquisition will be as follows:



SHAREHOLDING STRUCTURE OF THE COMPANY AS AT THE DATE OF THIS ANNOUNCEMENT AND IMMEDIATELY AFTER THE ISSUE OF CONSIDERATION SHARES

Name of Shareholders	As at the date		Immediately after issue and allotment of the Consideration Shares		
	<i>Number</i>		<i>Number</i>		
	<i>of Shares</i>	<i>Approx %</i>	<i>of Shares</i>	<i>Approx %</i>	<i>Note</i>
Triple Express Enterprises Limited	67,964,104	32.99	67,964,104	28.04	(1)
King Right Holdings Limited	18,280,155	8.87	18,280,155	7.54	(2)
United Sino Limited	18,280,155	8.87	18,280,155	7.54	(3)
Golden Sunday Limited	18,280,155	8.87	18,280,155	7.54	(4)
Top Right Trading Limited	17,195,431	8.35	17,195,431	7.09	(5)
Vendor	–	–	36,404,000	15.02	
Other Public Shareholders	65,994,675	32.05	65,994,675	27.23	
	205,994,675	100	242,398,675	100	

Notes:

1. Triple Express Enterprises Limited is a company beneficially wholly-owned by Mr. Fang Shin.
2. King Right Holdings Limited is a company beneficially wholly-owned by Mr. Sung Kai Hing, an executive Director.
3. United Sino Limited is a company beneficially wholly-owned by Mr. Cheung Kong Cheung, an executive Director.
4. Golden Sunday Limited is a company beneficially wholly-owned by Mr. Chan Kwok Kin, a director of certain subsidiaries of the Company.
5. Top Right Trading Limited is a company beneficially wholly-owned by Mr. Huang Wei Ye, a director of certain subsidiaries of the Company.

REASONS AND BENEFITS FOR THE ACQUISITION

The principal business 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.

The Acquisition will be beneficial to both the Target Group and the Group. As a listed company, the Company will enhance the level of corporate governance and operational management of the Target Group. On the other hand, the Group's production in the PRC will be enhanced to include sofa products after the WFOE becomes a subsidiary of the Group. The established sales network and customer base of the WFOE can strengthen the sales network and introduce a new source of income, and will enable the Group to secure the supply and better control quality of the sofa products which complement its wooden furniture products.

Furthermore, the payment method of the Consideration by way of issue of the Consideration Shares will not only enlarge the equity base of the Company, but will also eliminate the burden of the Company arising from cash settlement.

In addition, the Vendor has undertaken with the Purchaser that for the financial year ending 31 December 2011, the Net Profit shall not be less than HK\$12,000,000, as more particularly stated in the sub-section "Profit Guarantee" under the section headed "Agreement" above.

The Directors (including the independent non-executive Directors) consider the terms of the Agreement have been made on normal commercial terms and are fair and reasonable and the Acquisition is in the interest of the Company and the Shareholders as a whole. The Directors confirm that they do not have any material interest in the Acquisition. Therefore, no Directors have abstained from voting on the board resolution for approving the Acquisition.

IMPLICATIONS UNDER THE LISTING RULES

As the applicable percentage ratios in respect of the Acquisition are more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction for the Company and is subject to the announcement requirement but exempt from the shareholders' approval requirement under the Listing Rules.

An application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the meanings set opposite to them below:

"Acquisition"	the proposed acquisition of the Sale Shares;
"Agreement"	the conditional sale and purchase agreement between the Vendor, the Purchaser, the Company and the Remaining Shareholders in respect of the Acquisition dated 31 March 2011;

“Astromax”	Astromax Investment Limited, a company incorporated in the British Virgin Islands, which is owned as to 60% by the Vendor and as to 40% by the Remaining Shareholders prior to Completion;
“Board” or “Director(s)”	the board of directors of the Company;
“City Leading”	City Leading Limited, a company incorporated in Hong Kong on 18 December 2009 and wholly owned by Astromax, and is principally engaged in investment holding;
“Company”	Hing Lee (HK) Holdings Limited, a company incorporated in the British Virgin Islands and re-domiciled and continued in Bermuda with limited liability, the shares of which are listed on the Stock Exchange;
“Completion”	completion of the Acquisition;
“connected person”	the meaning ascribed to it in the Listing Rules;
“Consideration”	subject to the Profit Guarantee, HK\$64,800,000, being the total consideration payable by the Purchaser to the Vendor for the Acquisition;
“Consideration Shares”	36,404,000 new Shares to be allotted and issued to the Vendor as Consideration upon Completion, and each a “Consideration Share” ;
“Net Profit”	means the net profit (or loss, which shall be represented by a negative figure) after tax and exceptional items of the WFOE (in the ordinary course of business) as shown and disclosed in the audited income statement of the WFOE for the financial year ending 31 December 2011, which are to be prepared in accordance with the PRC Generally Accepted Accounting Principles by the auditors of the WFOE as designated by the Purchaser;
“Group”	the Company and its subsidiaries;

“Hong Kong”	The Hong Kong Special Administrative Region of the People’s Republic of China;
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administration Region and Taiwan);
“Profit Guarantee”	the undertaking of the Vendor in relation to the Net Profit for the financial year ending 31 December 2011, as more particularly stated in the sub-section “Profit Guarantee” under the section headed “Agreement” above;
“Purchaser”	Great Ample Holdings Limited, a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Remaining Shareholders”	Mr. Zhou Shao Xiang (周紹祥) and Mr. Yuan Jing Chang (袁敬昌), each being a holder of 20 ordinary shares of US\$1.00 each representing 20% of the issued share capital of Astromax as at the date of this announcement and “Remaining Shareholder” shall mean any of them;
“RMB”	Renminbi, the lawful currency of the PRC;
“Sale Shares”	60 ordinary shares of US\$1.00 each representing 60% of the issued share capital of Astromax, which are held by the Vendor prior to Completion;
“Share(s)”	the share(s) of HK\$0.01 each in the share capital of the Company;
“Shareholder(s)”	shareholder(s) of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Target Group”	Astromax, City Leading and the WFOE;
“Vendor”	Mr. Yuan Han Xiang (袁漢祥), who holds the Sale Shares as at the date of this announcement;

“WFOE”

深圳歐羅家具有限公司(Shenzhen Oulo Furniture Company Limited*), a wholly foreign-owned enterprise incorporated in the PRC on 12 October 2005 and a wholly-owned subsidiary of City Leading;

“HK\$”

Hong Kong dollars, the lawful currency of Hong Kong;

“%”

per cent.

By Order of the Board
Hing Lee (HK) Holdings Limited
Sung Kai Hing
Chairman

Hong Kong, 31 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.

This announcement is published on the websites of the Stock Exchange and the Company.

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

* For identification purpose only