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

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

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013 with comparative figures for the corresponding year ended 31 December 2012.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS*for the year ended 31 December 2013**(Expressed in Hong Kong dollars)*

	<i>Note</i>	2013 HK\$'000	2012 <i>HK\$'000</i>
Turnover	4	677,297	604,595
Cost of sales		<u>(550,767)</u>	<u>(505,790)</u>
Gross profit		126,530	98,805
Other income	5	4,364	5,407
Selling and distribution expenses		(66,995)	(85,741)
Administrative expenses		<u>(52,650)</u>	<u>(50,987)</u>
Profit/(loss) from operating activities		11,249	(32,516)
Finance costs	6(a)	<u>(4,670)</u>	<u>(4,513)</u>
Profit/(loss) before taxation	6	6,579	(37,029)
Income tax	7	<u>(825)</u>	<u>(1,677)</u>
Profit/(loss) for the year		<u>5,754</u>	<u>(38,706)</u>
Attributable to:			
Equity shareholders of the Company		4,547	(40,520)
Non-controlling interests		<u>1,207</u>	<u>1,814</u>
Profit/(loss) for the year		<u>5,754</u>	<u>(38,706)</u>
Earnings/(loss) per share (HK cents)	9		
– Basic		<u>1.88</u>	<u>(16.72)</u>
– Diluted		<u>1.88</u>	<u>(16.72)</u>

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2013

(Expressed in Hong Kong dollars)

	<i>Note</i>	2013 HK\$'000	2012 <i>HK\$'000</i>
Profit/(loss) for the year		5,754	(38,706)
Other comprehensive income for the year (after tax)	8		
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		6,382	(249)
Gain on fair value changes of available-for-sale investments		2	18
Other comprehensive income/(loss) for the year		6,384	(231)
Total comprehensive income/(loss) for the year		12,138	(38,937)
Attributable to:			
Equity shareholders of the Company		10,592	(40,751)
Non-controlling interests		1,546	1,814
Total comprehensive income/(loss) for the year		12,138	(38,937)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

(Expressed in Hong Kong dollars)

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000
Non-current assets			
Property, plant and equipment		316,929	301,947
Prepaid lease payments		49,033	48,660
Goodwill		52,120	52,120
Available-for-sale investments		70	65
		418,152	402,792
Current assets			
Prepaid lease payments		1,154	1,119
Inventories		120,381	118,376
Trade and other receivables	11	128,284	107,998
Current tax recoverable		69	—
Pledged bank deposits		2,588	1,517
Cash and cash equivalents		98,563	93,392
		351,039	322,402
Current liabilities			
Trade and other payables	12	294,978	241,968
Current portion of bank borrowings		52,166	77,774
Current taxation		551	1,191
		347,695	320,933
Net current assets		3,344	1,469
Total assets less current liabilities		421,496	404,261
Non-current liabilities			
Other payables	12	3,881	6,647
Non-current portion of bank borrowings		43,626	35,763
		47,507	42,410
NET ASSETS		373,989	361,851
CAPITAL AND RESERVES			
Share capital	13	2,424	2,424
Reserves		362,536	351,944
Total equity attributable to equity shareholders of the Company		364,960	354,368
Non-controlling interests		9,029	7,483
TOTAL EQUITY		373,989	361,851

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-based 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 consolidated 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 consolidated 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 consolidated financial statements.

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs 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:

- Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income
- HKFRS 10, Consolidated financial statements
- HKFRS 12, Disclosure of interests in other entities
- HKFRS 13, Fair value measurement

- Revised HKAS 19, Employee benefits
- Annual Improvements to HKFRSs 2009-2011 Cycle
- Amendments to HKFRS 7 – Disclosures – Offsetting financial assets and financial liabilities

Other than as noted below, the adoption of the new or amended HKFRSs has had no material impact on the Group's consolidated financial statements for the years presented.

Amendments to HKAS 1, Presentation of financial statements – Presentation of items of other comprehensive income

The amendments require entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new titles “statement of profit or loss” and “statement of profit or loss and other comprehensive income” as introduced by the amendments in these financial statements.

HKFRS 10, Consolidated financial statements

HKFRS 10 replaces the requirements in HKAS 27, Consolidated and separate financial statements relating to the preparation of consolidated financial statements and HK-SIC 12 Consolidation – Special purpose entities. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect of determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 12, Disclosure of interests in other entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the application of HKFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

HKFRS 13, Fair value measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

The Group and the Company have not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 16).

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:

	2013 HK\$'000	2012 <i>HK\$'000</i>
Turnover		
Sale of goods	664,722	595,659
Licensing income	12,575	8,936
	<hr/>	<hr/>
	677,297	604,595
	<hr/> <hr/>	<hr/> <hr/>

5. OTHER INCOME

	2013 HK\$'000	2012 <i>HK\$'000</i>
Bank interest income	347	249
Dividend income from available-for-sale investments	3	3
Government grant (i)	3,200	4,618
Sales of scrap materials	238	232
Others	576	305
	<hr/>	<hr/>
	4,364	5,407
	<hr/> <hr/>	<hr/> <hr/>

- (i) In 2013, the Group successfully applied for the funding support from the government of the People's Republic of China ("PRC") mainly for improvement of production technologies, participation in exhibitions and business development.

In 2012, the Group received government rewards relating to the Group's contribution in environmental protection.

6. PROFIT/(LOSS) BEFORE TAXATION

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

(a) Finance costs

	2013 HK\$'000	2012 HK\$'000
Interest on bank borrowings repayable within 5 years	4,670	7,358
Less: interest capitalised (i)	–	(2,845)
	<u>4,670</u>	<u>4,513</u>

- (i) Interest has been capitalised to construction in progress at an average annual rate of nil% (2012: 8.08%) during the year.

(b) Staff costs

	2013 HK\$'000	2012 HK\$'000
Directors' remuneration	2,434	2,832
Wages and salaries	129,989	112,210
Equity-settled share-based payment expenses *	–	135
Retirement scheme contributions *	9,450	6,933
	<u>141,873</u>	<u>122,110</u>

* excluded amount paid to directors

(c) Other items

	2013 HK\$'000	2012 HK\$'000
Auditor's remuneration		
– audit services	831	880
– other services	240	–
Amortisation of prepaid lease payments	1,137	1,115
Cost of inventories sold [#]	547,338	496,638
Depreciation	16,686	13,045
Loss on disposal of property, plant and equipment, net	287	733
Net foreign exchange (gain)/loss	(142)	18
Write-down of inventories recognised	3,429	9,152
Impairment of trade receivables recognised	505	2,060
Operating lease rentals: minimum lease payments		
– land and buildings	9,972	10,853
	<u>9,972</u>	<u>10,853</u>

- # Cost of inventories sold includes HK\$107,093,000 (2012: HK\$89,950,000) 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 STATEMENT OF PROFIT OR LOSS

Taxation in the consolidated statement of profit or loss represents:

	2013 HK\$'000	2012 <i>HK\$'000</i>
Current year provision		
– Hong Kong Profits Tax	107	1,400
– PRC Enterprise Income Tax	1,008	56
Prior year (over)/underprovision		
– Hong Kong Profits Tax	(501)	(29)
– PRC Enterprise Income Tax	211	250
	825	1,677

Reconciliation between tax expense and accounting profit/(loss) at applicable tax rate:

	2013 HK\$'000	2012 <i>HK\$'000</i>
Profit/(loss) before taxation	6,579	(37,029)
Notional tax on profit/(loss) before taxation	1,086	(6,110)
Tax effect of non-deductible expenses	2,216	1,173
Tax effect of non-taxable income	(6,594)	(2,724)
Tax effect of different tax rates of subsidiaries operating in the PRC	(1,073)	(4,504)
Tax effect of unrecognised temporary differences	63	57
Tax effect of utilisation of tax losses not recognised previously	(293)	(114)
Tax effect of unused tax losses not recognised	5,348	13,589
Prior year (over)/underprovision	(290)	221
Others	362	89
Actual tax expense	825	1,677

- (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 2013 is calculated at 16.5% (2012: 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 2013 (2012: 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, Shenzhen Xingli Furniture Company Limited and Shenzhen Xingli Zundian Furniture Company Limited were subject to the PRC Enterprise Income Tax (“EIT”) rate of 25% for 2013 (2012: 25%).

Shenzhen Oulo Furniture Company Limited was subject to the PRC EIT rate of 25% for 2013 (2012: 12.5%).

8. OTHER COMPREHENSIVE INCOME/(LOSS)

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

	2013			2012		
	Before tax amount HK\$'000	Tax expense HK\$'000	Net-of-tax amount HK\$'000	Before tax amount HK\$'000	Tax expense HK\$'000	Net-of-tax amount HK\$'000
Exchange differences on translation of financial statements of overseas subsidiaries	6,382	–	6,382	(249)	–	(249)
Gain on fair value changes of available-for-sale investments	2	–	2	18	–	18
Other comprehensive income/(loss)	<u>6,384</u>	<u>–</u>	<u>6,384</u>	<u>(231)</u>	<u>–</u>	<u>(231)</u>

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$4,547,000 (2012: loss of HK\$40,520,000) and the weighted average number of 242,398,675 (2012: 242,398,675) ordinary shares in issue during the year.

The diluted earnings per share for the year ended 31 December 2013 is the same as the basic earnings per share as the exercise price of the outstanding share options is higher than the average market price per share.

The diluted loss per share for the year ended 31 December 2012 was the same as the basic loss per share as the assumed exercise of the outstanding share options has anti-dilutive effect.

10. SEGMENT REPORTING

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following two reportable segments. No operating segments have been aggregated to form the following reportable segments.

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

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 2013 and 2012 is set out below:

	2013				2012			
	Panel- furniture HK\$'000	Upholstered furniture HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000	Panel- furniture HK\$'000	Upholstered furniture HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Revenue from external customers	543,003	134,294	-	677,297	460,392	144,203	-	604,595
Inter-segment revenue	-	6,291	-	6,291	-	3,352	-	3,352
Reportable segment revenue	<u>543,003</u>	<u>140,585</u>	<u>-</u>	<u>683,588</u>	<u>460,392</u>	<u>147,555</u>	<u>-</u>	<u>607,947</u>
Interest income	-	-	347	347	-	-	249	249
Interest expense	-	-	(4,670)	(4,670)	-	-	(4,513)	(4,513)
Depreciation and amortisation	(15,888)	(1,935)	-	(17,823)	(12,072)	(2,088)	-	(14,160)
Reportable segment profit/(loss)	5,611	1,879	-	7,490	(41,111)	4,240	-	(36,871)
Other material non-cash items:								
Impairment of trade receivables recognised	(307)	(198)	-	(505)	(2,060)	-	-	(2,060)
Write-down of inventories recognised	(2,301)	(1,128)	-	(3,429)	(8,830)	(322)	-	(9,152)
Reportable segment assets	636,413	83,156	49,622	769,191	555,789	90,805	78,600	725,194
Expenditures for non-current assets	21,227	1,994	-	23,221	50,208	118	-	50,326
Reportable segment liabilities	359,941	27,989	7,272	395,202	216,856	31,851	114,636	363,343

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

	2013 HK\$'000	2012 HK\$'000
Revenue		
Reportable segment revenue	683,588	607,947
Elimination of inter-segment revenue	(6,291)	(3,352)
	<u>677,297</u>	<u>604,595</u>
Consolidated revenue (note 4)	<u><u>677,297</u></u>	<u><u>604,595</u></u>
Profit or loss		
Reportable segment profit/(loss)	7,490	(36,871)
Other income	4,364	5,407
Unallocated amounts:		
Interest expense	(4,670)	(4,513)
Other head office and corporate expenses	(605)	(1,052)
	<u>6,579</u>	<u>(37,029)</u>
Consolidated profit/(loss) before taxation	<u><u>6,579</u></u>	<u><u>(37,029)</u></u>
Assets		
Total assets for reportable segments	719,569	646,594
Available-for-sale investments *	70	65
Current tax recoverable	69	–
Unallocated head office and corporate assets	49,483	78,535
	<u>769,191</u>	<u>725,194</u>
Consolidated total assets	<u><u>769,191</u></u>	<u><u>725,194</u></u>
Liabilities		
Total liabilities for reportable segments	387,930	248,707
Current taxation	551	1,191
Unallocated head office and corporate liabilities	6,721	113,445
	<u>395,202</u>	<u>363,343</u>
Consolidated total liabilities	<u><u>395,202</u></u>	<u><u>363,343</u></u>

* 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.

	2013		2012	
	Revenues		Revenues	
	from	Specified	from	Specified
	external	non-current	external	non-current
	customers	assets	customers	assets
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Asia (excluding the PRC)	177,845	791	170,045	1,301
Europe	15,601	–	34,616	–
PRC	423,390	417,291	341,013	401,426
The United States	47,228	–	39,782	–
Others	13,233	–	19,139	–
	677,297	418,082	604,595	402,727

Asia mainly covers Japan, Taiwan, Middle East and Southeast Asia; Europe mainly covers Ukraine, France, Georgia and Germany; and others mainly cover Canada, Africa and South America.

(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 2013 and 2012.

11. TRADE AND OTHER RECEIVABLES

	2013	2012
	HK\$'000	HK\$'000
Trade debtors and bills receivable	62,195	34,334
Less: allowance for doubtful debts (note 11(b))	(6,050)	(5,412)
	56,145	28,922
Deposits paid for purchase of property, plant and equipment	2,643	17,049
Deposits paid to suppliers	31,855	35,829
Value added tax recoverable	17,931	15,436
Other deposits, prepayments and receivables	19,710	10,762
	72,139	79,076
	128,284	107,998

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK\$1,158,000 (2012: HK\$2,398,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

At 31 December 2013, the carrying amount of the trade debtors, which have been executed by a deed of charge, is HK\$3,000,000 (2012: HK\$nil) and the carrying amount of the associated liability is HK\$nil (2012: HK\$nil).

(a) Ageing analysis

As at the end of the reporting period, the ageing analysis of trade debtors and bills receivable (which are included in trade and other receivables), based on invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 3 months	47,041	24,985
3 to 6 months	4,355	1,461
6 to 9 months	4,170	1,155
9 months to 1 year	198	358
Over 1 year	381	963
	<hr/> 56,145 <hr/>	<hr/> 28,922 <hr/>

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:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
At 1 January	5,412	3,346
Exchange realignment	176	6
Impairment loss recognised	505	2,060
Uncollectible amounts written off	(43)	–
	<hr/> 6,050 <hr/>	<hr/> 5,412 <hr/>
At 31 December	6,050	5,412

At 31 December 2013, the Group's trade debtors and bills receivable of HK\$6,050,000 (2012: HK\$5,412,000) 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

The ageing analysis of trade debtors and bills receivable that are neither individually nor collectively considered to be impaired are set out as follows:

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Neither past due nor impaired	44,042	23,899
Less than 3 months past due	2,999	1,086
3 to 6 months past due	4,355	2,616
6 months to 1 year past due	4,368	358
More than 1 year past due	381	963
	12,103	5,023
	56,145	28,922

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance 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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Trade creditors and bills payable	215,811	167,415
Accrued charges	35,013	34,026
Accrued interest	71	259
Receipts in advance	24,008	29,500
Payables for purchase of property, plant and equipment	8,055	9,253
Other payables	15,901	8,162
	83,048	81,200
	298,859	248,615
Less: non-current portion of payables for purchase of property, plant and equipment classified as non-current liabilities	(3,881)	(6,647)
	294,978	241,968

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

	2013 <i>HK\$'000</i>	2012 <i>HK\$'000</i>
Within 3 months	141,913	124,777
3 months to 1 year	71,884	41,169
Over 1 year	2,014	1,469
	215,811	167,415

All trade and other payables, except for those balances classified as non-current liabilities, are expected to be settled within one year.

13. SHARE CAPITAL

	2013		2012	
	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
Authorised:				
At 31 December	<u>1,000,000,000</u>	<u>10,000</u>	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:				
At 31 December	<u>242,398,675</u>	<u>2,424</u>	<u>242,398,675</u>	<u>2,424</u>

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

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (31 December 2012: Nil).

15. EVENTS AFTER THE END OF THE REPORTING PERIOD

As disclosed in the composite offer and response document of the Company dated 22 January 2014 (the "Composite Document") and announcement of the Company dated 19 December 2013, Triple Express Enterprises Limited (the "Vendor") and King Right Holdings Limited (the "Offeror") entered into the sale and purchase agreement dated 11 December 2013 (The "sale and Purchase Agreement"). Pursuant to the terms of the sale and purchase agreement, the Offeror conditionally agreed to acquire and the Vendor conditionally agreed to sell 67,964,104 shares of the Company for an aggregate cash consideration of HK\$69,323,386, equivalent to HK\$1.02 per share. Completion of the transaction took place on 23 December 2013 and the Offeror became the controlling shareholder of the Company.

Upon completion, the Offeror was required to make the unconditional mandatory general offers in cash for all the issued shares and outstanding convertible securities of the Company other than those already owned by the Offeror and parties acting in concert with it at HKD1.02 each ("Share Offer") and to cancel all outstanding share options under the Pre-IPO Share Option Scheme and the 2009 Share Option Scheme (the "Options").

As disclosed in the announcement of the Company dated 12 February 2014, the Offeror received valid acceptances in respect of a total of 58,000 shares under the Share Offer; and that all outstanding Options have lapsed and determined on 6 February 2014.

16. POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2013

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of amendments and new standards which are not yet effective for the year ended 31 December 2013 and which have not been adopted in these consolidated financial statements. These include the following which may be relevant to the Group.

Amendments to HKFRSs	Annual improvements to HKFRSs 2010-2012 cycle ⁴
Amendments to HKFRSs	Annual improvements to HKFRSs 2011-2013 cycle ²
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities ¹
HKFRS 9	Financial instruments ³
Amendments to HKFRS 7 and HKFRS 9	Mandatory effective date of HKFRS 9 and transition disclosures ³
Amendments to HKAS 19	Defined benefit plans: Employee contributions ²
Amendments to HKAS 32	Offsetting financial assets and financial liabilities ¹
Amendments to HKAS 36	Recoverable amount disclosures for non-financial assets ¹
Amendments to HKAS 39	Novation of derivatives and continuation of hedge accounting ¹
HKFRS 14	Regulatory deferral accounts ⁵
HK(IFRIC) – INT 21	Levies ¹

¹ Effective for annual periods beginning on or after 1 January 2014.

² Effective for annual periods beginning on or after 1 July 2014.

³ Available for application-the mandatory effective date will be determined when the outstanding phase of HKFRS 9 are finalised.

⁴ Effective for annual periods beginning on or after 1 July 2014, with limited exception.

⁵ Effective for first annual HKFRS financial statements beginning on or after 1 January 2016.

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

While the global economic conditions remained volatile and complicated in the year ended 31 December 2013, the Group has done its best to re-assess and adjust its operating strategies and made good progress in various parts of the business to build for a sustainable growth for the future. During the year under review, we recorded a growth in turnover by 12.0% and the Group turned around from loss to profit attributable to equity Shareholders of approximately HK\$4.5 million.

Many newly built home units were smaller in size, which led to a drop in demand for large size classical furniture and resulted in diminished turnover from panel furniture segment in 2012. During the year under review, the Group has allocated more resources to the R&D of new products (i.e. smaller size furniture) in response to the market changes.

The Group continued its business growth strategy to increase its market shares by expanding its PRC domestic sales network to third and fourth tier cities, expanding its production capacity, strengthening its R&D capabilities, and diversifying its product offerings.

FINANCIAL REVIEW

Turnover

The Group's turnover increased by approximately 12.0% from about HK\$604.6 million for the year ended 31 December 2012 to HK\$677.3 million for the year ended 31 December 2013. The increase in turnover during the year was due to the increases in domestic sales. The increase in the domestic sales during the year was a result of the Group's expansion in sales network in third and fourth tier cities for its modern furniture.

Gross Profit

During the year under review, the Group's gross profit margin increased by 2.4 percentage point to 18.7% (31 December 2012: 16.3%). The improvement in the gross profit was a result of increase in price of our modern furniture as well as the effective cost-saving measures introduced during the year.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK\$67.0 million for the year ended 31 December 2013, against about HK\$85.7 million for the year ended 31 December 2012. The decrease in selling and distribution expenses was a result of the stringent and effective control in promotional costs.

Administrative Expenses

For the year ended 31 December 2013, the Group's administrative expenses were approximately HK\$52.7 million against about HK\$51.0 million for the year ended 31 December 2012. Despite the general increase in costs in PRC, our administrative expenses remained relatively stable. This was mainly attributable to the stringent cost control policies implemented during the year under review.

Profit for the Year

Profit attributable to equity holders of the Company for the year ended 31 December 2013 was approximately HK\$4.5 million as compared to loss attributable to equity holders of the Company of approximately HK\$40.5 million for last year.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2013, the Group employed approximately 1,750 employees (2012: 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. Please refer to the notes to the financial statements in the annual report to be published by the Company for the financial risk management of the Group.

The Group maintained cash and bank balances of HK\$98.6 million as at 31 December 2013 (31 December 2012: HK\$93.4 million).

As at 31 December 2013, the Group had bank borrowings amounting to HK\$95.8 million (31 December 2012: HK\$113.5 million). As at the same date, the gearing ratio (total debt/total equity) was 1.1 (31 December 2012: 1.0).

As at 31 December 2013, the current ratio (current assets/current liabilities) was 1.0 time (31 December 2012: 1.0) and the net current assets amounted to HK\$3.3 million (31 December 2012: HK\$1.5 million).

The ageing analysis of trade creditors and bills payable and the maturity profiles of bank borrowings are set out in the notes to the financial statements in the annual report to be published by the Company.

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 in the 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 Hong Kong dollars, 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 2013, 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) deed of charge over receivables of HK\$3 million; (iv) an assignment of export credit insurance corporation policies of HK\$5 million; (v) pledged bank deposits of approximately HK\$2.6 million; (vi) 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 did not have any significant investment and acquisition or disposal of subsidiaries and associated companies. However, in order to centralize the management and operation of the panel wood furniture business and hence enhance the efficiency of the Group, the Group is planning to build an office building in Shenzhen. It is intended that the construction costs will be funded by internal resources of the Group.

CONTINGENT LIABILITIES

As at 31 December 2013, the Group had no significant contingent liabilities.

PROSPECTS

Macro-economic uncertainty as a result of the Chinese government policies on down-payment, mortgage requirements, purchase restrictions and increase of capital gain tax from selling of residential properties as mentioned above, and the risk of a slower economic growth are still factors to reckon with. The lack of notable recovery in consumer confidence will continue to pose challenges and opportunities to the furniture industry in China.

To cope with the uncertain market conditions and to strengthen the competitiveness of the Group, the Group has implemented and will continue to take a series of cost cutting programs to reduce its overhead costs and improve operating efficiency. Each department within the Group is required to rationalize its individual head counts to keep staff at a minimum.

The Group believes that investments in brand building and proactive management of sales channels are crucial to the healthy development of an enterprise in the long run. The Group will continue to strengthen its position in the medium to high-end home furniture market with its plan to explore opportunities on distribution network expansion, as well as collaboration with property developers for home furniture projects. The Group will continue to actively participate in various international furniture exhibitions and marketing promotions and strengthen its design capacity. We will keep abreast of market trends and enhance the cost-saving and execution capabilities of our supply chain so as to optimise the product life cycle and shorten lead times. We will also fully utilise our R&D resources and design talents in order to cater to consumers' specific needs and preferences.

Despite the present difficult operating environment, the Group is optimistic over the long-term prospects of the furniture industry in China. 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.

Save as disclosed below, the Company complied with the code provisions of the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules (the "CG Code") during the financial year. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

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 2013.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2013 (31 December 2012: Nil).

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 2013 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 2013 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, 25 March 2014

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>