



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

興利

Interim Report 2012



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Sung Kai Hing

(Chairman and Chief Executive Officer)

Mr. Cheung Kong Cheung

Non-executive Director

Mr. Fang Yan Zau, Alexander

Independent non-executive Directors

Mr. Sun Jian

Ms. Shao Hanqing

Mr. Kong Hing Ki

AUDIT COMMITTEE

Mr. Kong Hing Ki *(Chairman)*

Mr. Sun Jian

Ms. Shao Hanqing

REMUNERATION COMMITTEE

Mr. Sun Jian *(Chairman)*

Ms. Shao Hanqing

Mr. Kong Hing Ki

NOMINATION COMMITTEE

Ms. Shao Hanqing *(Chairman)*

Mr. Sung Kai Hing

Mr. Cheung Kong Cheung

Mr. Sun Jian

Mr. Kong Hing Ki

COMPANY SECRETARIES

Mr. Wong Kit Wai, FHKICPA, ACIS

Ms. Kim Ling Cheung

(Assistant Secretary)

AUTHORISED REPRESENTATIVES

Mr. Sung Kai Hing

Mr. Wong Kit Wai

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation Limited

China Construction Bank Corporation

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1101, 11th Floor, Delta House

3 On Yiu Street, Shatin, New Territories

Hong Kong

REGISTERED OFFICE

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

LEGAL ADVISERS

Sit, Fung, Kwong & Shum

Guangdong LianRui Law Firm

Conyers Dill & Pearman

AUDITORS

Baker Tilly Hong Kong Limited

Certified Public Accountants

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor

Services Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Butterfield Fulcrum Group

(Bermuda) Limited

STOCK CODE

396

COMPANY WEBSITE

www.hingleehk.com.hk

INTERIM RESULTS

The board (the “Board”) of directors (the “Directors”) of Hing Lee (HK) Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 with comparative figures for the corresponding period in 2011.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Notes	(Unaudited)	
		Six months ended 30 June	
		2012	2011
		HK\$'000	HK\$'000
Turnover	3	282,026	231,939
Cost of sales		(234,280)	(171,972)
Gross profit		47,746	59,967
Other revenue		634	7,488
Selling and distribution expenses		(37,148)	(25,052)
Administrative expenses		(24,658)	(17,655)
Profit/(loss) from operations		(13,426)	24,748
Finance costs		(1,954)	(1,172)
Profit/(loss) before taxation	5	(15,380)	23,576
Taxation	6	(306)	(224)
Profit/(loss) for the period		(15,686)	23,352
Attributable to:			
Equity shareholders of the Company		(17,902)	22,713
Non-controlling interests		2,216	639
		(15,686)	23,352
Earnings/(losses) per share attributable to the equity holders of the Company (HK cents)	7		
– basic		(7.39)	9.83
– diluted		(7.34)	9.66
		HK\$'000	HK\$'000
Dividend	8	4,727	5,575

The notes on pages 8 to 23 form an integral part of this condensed consolidated interim financial statements.



CONDENSED CONSOLIDATED INTERIM FINANCIAL POSITION

		As at 30 June 2012 <i>HK\$'000</i> (Unaudited)	31 December 2011 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	9	282,329	266,997
Prepaid lease payments	9	48,959	49,791
Goodwill	10	52,120	52,120
Available-for-sale investments	11	52	44
		383,460	368,952
Current assets			
Prepaid lease payments	9	1,112	1,119
Inventories		107,505	111,442
Trade debtors and bills receivable	12	52,187	47,019
Prepayments, deposits and other receivables		65,493	73,709
Restricted bank deposits		7,815	10,757
Cash and cash equivalents		83,316	123,630
		317,428	367,676
Current liabilities			
Trade creditors and bills payable	13	137,851	131,914
Other payables and accrued charges		54,981	69,389
Secured bank loans	14	120,914	124,904
Current taxation		857	2,721
		314,603	328,928
Net current assets		2,825	38,748
Net assets		386,285	407,700
Capital and reserves			
Share capital	15	2,424	2,424
Reserves		373,256	396,887
Total equity attributable to equity shareholders of the Company		375,680	399,311
Non-controlling interests		10,605	8,389
Total equity		386,285	407,700

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	(15,686)	23,352
Other comprehensive income/(loss)		
Fair value gains/(loss) on available-for-sale investments, net of tax	8	(436)
Currency translation differences	(1,277)	5,314
	<hr/>	<hr/>
Total comprehensive income/(loss) for the period	(16,955)	28,230
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income/(loss) attributable to		
– equity shareholders of the Company	(19,171)	27,591
– non-controlling interests	2,216	639
	<hr/>	<hr/>
	(16,955)	28,230
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 23 form an integral part of this condensed consolidated interim financial statements.



CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

		(Unaudited)											
		Attributable to equity shareholders of the Company											
Note	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Merger reserve HK\$'000	Fair value reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000	
	At 1 January 2011	2,060	83,623	28,345	8,765	25,430	2,573	5,875	(6,486)	150,877	301,062	-	301,062
	Profit for the period	-	-	-	-	-	-	-	22,713	22,713	639	23,352	
	Fair value change on available for sale investments recognised directly in equity	-	-	-	-	-	(436)	-	-	(436)	-	(436)	
	Currency transaction differences	-	-	5,314	-	-	-	-	-	5,314	-	5,314	
	Total comprehensive income for the period ended 30 June 2011	-	-	5,314	-	-	(436)	-	22,713	27,591	639	28,230	
	Acquisition of a subsidiary	17	364	57,882	-	-	-	-	-	58,246	4,084	62,330	
	Transfer of reserve	-	-	-	1	-	-	-	(1)	-	-	-	
	Equity settled share option arrangements	-	-	-	-	-	1,489	-	-	1,489	-	1,489	
	Dividends relating to 2010 paid in 2011	8	-	-	-	-	-	-	(7,757)	(7,757)	-	(7,757)	
	At 30 June 2011	<u>2,424</u>	<u>141,505</u>	<u>33,659</u>	<u>8,766</u>	<u>25,430</u>	<u>2,137</u>	<u>7,364</u>	<u>(6,486)</u>	<u>165,832</u>	<u>380,631</u>	<u>4,723</u>	<u>385,354</u>
	At 1 January 2012	2,424	141,505	40,452	9,597	25,430	(5)	8,263	(6,486)	178,131	399,311	8,389	407,700
	Profit (loss) for the period	-	-	-	-	-	-	-	(17,902)	(17,902)	2,216	(15,686)	
	Fair value change on available for sale investments recognised directly in equity	-	-	-	-	-	8	-	-	8	-	8	
	Currency transaction differences	-	-	(1,277)	-	-	-	-	-	(1,277)	-	(1,277)	
	Total comprehensive income for the period ended 30 June 2012	-	-	(1,277)	-	-	8	-	(17,902)	(19,171)	2,216	(16,955)	
	Transfer of reserve	-	-	-	(78)	-	-	-	78	-	-	-	
	Equity settled share option arrangements	-	-	-	-	-	267	-	-	267	-	267	
	Dividends relating to 2011 paid in 2012	8	-	-	-	-	-	-	(4,727)	(4,727)	-	(4,727)	
	At 30 June 2012	<u>2,424</u>	<u>141,505</u>	<u>39,175</u>	<u>9,519</u>	<u>25,430</u>	<u>3</u>	<u>8,530</u>	<u>(6,486)</u>	<u>155,580</u>	<u>375,680</u>	<u>10,605</u>	<u>386,285</u>

The notes on pages 8 to 23 form an integral part of this condensed consolidated interim financial statements.



CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended 30 June	
	2012	2011
	HK\$'000	HK\$'000
Net cash used in operating activities	(14,533)	(2,689)
Net cash used in investing activities	(19,941)	(44,486)
Net cash generated from/(used in) financing activities	(8,266)	4,509
Net decrease in cash and cash equivalents	(42,740)	(42,666)
Effect of foreign exchange rate changes	2,426	(5,565)
Cash and cash equivalents at the beginning of the period	123,630	131,662
Cash and cash equivalents at the end of the period	<u>83,316</u>	<u>83,431</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>83,316</u>	<u>83,431</u>

The notes on pages 8 to 23 form an integral part of this condensed consolidated interim financial statements.



NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

1 General Information

Hing Lee (HK) Holdings Limited (the “Company”), was incorporated in the British Virgin Islands (“BVI”) on 20 April 2004 and was re-domiciled and continued in Bermuda with limited liability on 30 March 2007. The registered office address is 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 principal business 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.

These condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. The condensed consolidated interim financial statements were approved by the board of directors of the Company (the “Board”) for issue on 24 August 2012.

The condensed consolidated interim financial statements have not been audited.

2 Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2012 of the Group has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and basis of preparation adopted in these Interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2011, except for adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1st January, 2012. The adoption of the new HKFRSs has no material impact on the Group’s results and financial position for the current or prior periods.

The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new HKFRSs but is not yet in a position to state whether these new HKFRSs would have a material impact on its results of operations and financial position.

3 Segment Reporting

The Group has identified operating segments based on similar economic characteristics, products and services. The operating segments are identified by a member of the senior management who is designated as the “Chief Operating Decision Maker” to make decisions about resource allocation to the segments and assess their performance. Summary of the operating segments is as follows:

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

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

(a) Operating segments

The following tables presents revenue and profit information regarding the Group’s operating segments for the unaudited six months ended 30 June 2012 and 30 June 2011, respectively:

	2012				2011			
	Panel-	Upholstered	Unallocated	Consolidated	Panel-	Upholstered	Unallocated	Consolidated
	Furniture	Furniture			Furniture	Furniture		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	156,686	125,340	-	282,026	194,463	37,476	-	231,939
Interest income	-	-	81	81	-	-	135	135
Interest expenses	-	-	1,954	1,954	-	-	1,172	1,172
Depreciation and amortisation	4,997	1,010	-	6,007	2,064	696	-	2,760
Reportable segment profit/(loss)	(17,295)	3,966	-	(13,329)	16,949	2,059	-	19,008

The following table presents segment assets of the Group’s operating segments as at 30 June 2012 and 31 December 2011.

	2012				2011			
	Panel-	Upholstered	Unallocated	Consolidated	Panel-	Upholstered	Unallocated	Consolidated
	Furniture	Furniture			Furniture	Furniture		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	552,428	88,055	60,405	700,888	484,073	63,492	189,063	736,628



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

	(Unaudited)	
	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Reportable segment revenue	283,346	232,807
Elimination of intersegment revenue	(1,320)	(868)
	<hr/>	<hr/>
Consolidated revenue	282,026	231,939
	<hr/> <hr/>	<hr/> <hr/>
Profit or loss		
Reportable segment profit/(loss)	(13,329)	19,008
Other income	634	7,488
Unallocated amounts:		
Interest expense	(1,954)	(1,172)
Other head office and corporate expenses	(731)	(1,748)
	<hr/>	<hr/>
Consolidated profit/(loss) before taxation	(15,380)	23,576
	<hr/> <hr/>	<hr/> <hr/>
	As of	As at
	30 June	31 December
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Assets		
Total assets for reportable segments	640,483	547,565
Available-for sales investments*	52	44
Unallocated head office and corporate assets	60,353	189,019
	<hr/>	<hr/>
Consolidated total assets	700,888	736,628
	<hr/> <hr/>	<hr/> <hr/>

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

(c) **Geographic information**

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's fixed assets and prepaid lease payments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets.

Revenue from external customers

	(Unaudited)	
	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Asia (excluding the People's Republic of China ("PRC"))*	81,140	75,072
Europe	1,610	6,454
PRC	194,762	142,614
Others	4,514	7,799
	282,026	231,939

Specified non-current assets

	As at	As at
	30 June	31 December
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Asia (excluding the People's Republic of China ("PRC"))*	1,610	1,823
PRC	381,850	367,085
	383,460	368,908

* Asia mainly covers Japan, Taiwan, South Korea, Middle East and Southeast Asia; Europe mainly covers Sweden, Italy, Spain and Germany; and others mainly cover the United States and Canada.



4 Equity settled share-based payment expense for share options granted

- (a) The terms and conditions of the options granted that existed during the period are as follows, whereby all options are settled by physical delivery of shares:

	Number of options	Exercise price HK\$	Exercise period
Options granted to	2,997,340	1.0647	23/12/2009 to 30/12/2016
Directors of	374,667	1.0647	23/12/2009 to 19/06/2017
the Company:	187,334	1.0647	20/06/2010 to 19/06/2017
	187,334	1.0647	20/06/2011 to 19/06/2017
	450,000 [†]	1.4220	23/04/2011 to 22/04/2013
	450,000 [†]	1.4220	01/01/2012 to 22/04/2013
	1,500,000*	1.8000	05/05/2012 to 04/05/2014
	1,500,000*	1.8000	01/01/2013 to 04/05/2014
Options granted to	3,746,675	1.0647	23/12/2009 to 30/12/2016
employees of	374,667	1.0647	23/12/2009 to 19/06/2017
the Group:	374,668	1.0647	31/12/2009 to 30/12/2016
	374,667	1.0647	31/12/2010 to 30/12/2016
	187,334	1.0647	20/06/2010 to 19/06/2017
	187,334	1.0647	20/06/2011 to 19/06/2017
	5,550,000 [†]	1.4220	23/04/2011 to 22/04/2013
	5,550,000 [†]	1.4220	01/01/2012 to 22/04/2013
	500,000*	1.8000	05/05/2012 to 04/05/2014
	500,000*	1.8000	01/01/2013 to 04/05/2014
Total number of shares subject to the share options	24,992,020		

[†] On 23 April 2010, the Company granted share options to grantees to subscribe for a total of 12,000,000 ordinary shares of HK\$0.01 each of the Company.

* On 5 May 2011, the Company granted share options to grantees to subscribe for a total of 4,000,000 ordinary shares of HK\$0.01 each of the Company.

(b) Fair value of share options

For the six months ended 30 June 2012, the fair value of share options granted of HK\$267,446 (six months ended 30 June 2011: HK\$1,489,576) is recognised as staff cost with a corresponding increase in employee share-based capital reserve.

5 Profit before taxation

Profit before taxation is arrived at after charging and crediting the following items:

	(Unaudited)	
	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
After charging		
Auditor's remuneration	400	400
Cost of inventories sold	234,280	173,698
Staff costs (including Directors' emoluments)		
– Directors' emoluments	1,415	2,016
– others	51,656	36,988
Depreciation	6,007	2,760
Amortisation of prepaid land lease payments	556	545
Net exchange loss (gain)	1,648	(1,073)
	<u> </u>	<u> </u>
After crediting		
Interest income	81	135
	<u> </u>	<u> </u>

6 Taxation

- (a) Taxation in the condensed consolidated interim income statements represents:
Current income tax

	(Unaudited)	
	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	–	–
– PRC enterprise income tax	306	224
	<u> </u>	<u> </u>
	<u>306</u>	<u>224</u>
	<u> </u>	<u> </u>



(i) The provision for Hong Kong profits tax for the six months ended 30 June 2012 is calculated at 16.5% (six months ended 30 June 2011: 16.5%) of the estimated assessable profits for each respective period.

(ii) The subsidiaries in the PRC are subject to the following enterprise income tax rate:

Dongguan Super Furniture Company Limited was subject to the PRC Enterprise Income Tax ("EIT") rate of 25% in 2012 (2011: 25%)

Shenzhen Xingli Furniture Company Limited was subject to the PRC EIT rate of 25% in 2012 (2011: 24%).

Shenzhen Xingli Zundian Furniture Company Limited, was subject to the PRC EIT rate of 25% in 2012 (2011: 24%).

The tax rate for Shenzhen Oulo Furniture Company Limited was 12.5% in 2012 (2011: 12%).

(iii) Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operates.

(b) Deferred taxation

The potential unaudited deferred tax asset of HK\$1,500,195 (As at 30 June 2011: HK\$2,715,000) relating to tax losses available for carry forward and other timing differences as at 30 June 2012 has not been recognized due to the unpredictability of the future profit streams. The tax losses do not expire under current tax legislation.

At 30 June 2012, the Group has unrecognised deferred tax liabilities of HK\$3,575,000 (30 June 2011: HK\$3,794,000) in relation to withholding tax on undistributed earnings of HK\$71,496,000 (30 June 2011: HK\$63,104,000) due to the retention of undistributed earnings by the Group's subsidiaries in the PRC determined by the directors of the Company.

The Company does not have any material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (30 June 2011: Nil), and therefore, no provision for deferred tax has been made.

7 Earnings/(losses) per share

(a) Basic earnings/(losses) per share

The calculation of basic loss per share for the six months ended 30 June 2012 is based on the loss attributable to equity shareholders of the Company of HK\$17,902,000 (six months ended 30 June 2011: profit of HK\$22,713,000) and the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2012 of 242,398,675 (six months ended 30 June 2011: 231,135,559 ordinary shares).

(b) Diluted earnings/(losses) per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$17,902,000 (six months ended 30 June 2011: profit of HK\$22,713,000) and the weighted average number of ordinary shares (diluted) of 243,853,454 shares, calculated as follows:

	(Unaudited)	
	2012	2011
	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares at 30 June	242,398,675	231,135,559
Effect of dilutive potential ordinary shares arising from share options	1,454,779	3,897,877
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(losses) per share	243,853,454	235,033,436
	<hr/> <hr/>	<hr/> <hr/>

8 Dividend

In May 2012, the final dividend in respect of the financial year ended 31 December 2011 of HK1.95 cents (31 December 2010: 3.20 cents) per share totaling HK\$4,726,800 (31 December 2010: HK\$7,757,000) was paid to shareholders.

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2012 (six months ended 30 June 2011: HK2.3 cents).



9 **Property, plant and equipment and prepaid lease payments**

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Prepaid lease payments <i>HK\$'000</i> (Unaudited)
Six month ended 30 June 2012		
Net book value as at 1 January 2012	266,997	50,910
Exchange realignment	(1,487)	(283)
Additions	22,826	–
Depreciation and amortization	(6,007)	(556)
	<hr/>	<hr/>
Net book value as at 30 June 2012	282,329	50,071
Six month ended 30 June 2011		
Net book value as at 1 January 2011	163,214	49,569
Exchange realignment	3,798	1,151
Acquisition of a subsidiary (<i>Note 17</i>)	3,811	–
Additions	46,630	–
Depreciation and amortization	(2,760)	(545)
	<hr/>	<hr/>
Net book value as at 30 June 2011	214,693	50,175

10 Goodwill

	30 June 2012 HK\$'000 (Unaudited)	31 December 2011 <i>HK\$'000</i> (Audited)
Cost		
Balance at beginning of period	52,120	–
Acquisition through business combinations (note 17)	–	52,120
	<hr/>	<hr/>
Balance at end of period	52,120	52,120
	<hr/> <hr/>	<hr/> <hr/>
Impairment losses		
Balance at beginning of period	–	–
Impairment loss	–	–
	<hr/>	<hr/>
Balance at end of period	–	–
	<hr/> <hr/>	<hr/> <hr/>
Carrying amounts		
Balance at beginning of period	52,120	52,120
	<hr/>	<hr/>
Balance at end of period	52,120	52,120
	<hr/> <hr/>	<hr/> <hr/>

11 Available-for-sale investments

	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 <i>HK\$'000</i> (Audited)
Listed equity-investments, at market value		
– Hong Kong	52	44
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>



12 Trade debtors and bills receivable

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

	As at 30 June 2012 <i>HK\$'000</i> (Unaudited)	As at 31 December 2011 <i>HK\$'000</i> (Audited)
Current	32,583	35,731
Less than 3 months past due	3,759	4,428
3 to 6 months	6,038	3,455
6 to 12 months	8,281	1,862
More than 12 months	1,526	1,543
	<hr/> 52,187 <hr/>	<hr/> 47,019 <hr/>

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

13 Trade creditors and bills payable

The ageing analysis of trade creditors and bills payable as of the reporting date is as follow:

	As at 30 June 2012 <i>HK\$'000</i> (Unaudited)	As at 31 December 2011 <i>HK\$'000</i> (Audited)
Within 3 months	101,342	113,860
3 months to 1 year	36,341	16,070
Over 1 year	168	1,984
	<hr/> 137,851 <hr/>	<hr/> 131,914 <hr/>

14 Secured bank loans

Movements in secured bank loans is analysed as follows:

	(Unaudited) <i>HK\$'000</i>
Six months ended 30 June 2012	
Opening amount as at 1 January 2012	124,904
Exchange realignment	(450)
Proceeds from new secured bank loans	60
Repayment of secured bank loans	(3,600)
	<hr/>
Closing amount as at 30 June 2012	<u>120,914</u>
Six months ended 30 June 2011	
Opening amount as at 1 January 2011	83,956
Exchange realignment	818
Proceeds from new secured bank loans	39,657
Repayment of secured bank loans	(29,300)
	<hr/>
Closing amount as at 30 June 2011	<u>95,131</u>

All of the Group's banking facilities are subject to the fulfillment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2012, none of the covenants relating to drawn down facilities had been breached (31 December 2011: Nil).



15 Share capital

	Note	(Unaudited) 30 June 2012		(Audited) 31 December 2011	
		Number of ordinary shares of HK\$0.01 each	Amount HK\$'000	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
Authorized:					
Ordinary shares of HK\$0.01 each		1,000,000,000	10,000	1,000,000,000	10,000
Issued and fully paid:					
Beginning of period/year		242,398,675	2,424	205,994,675	2,060
Acquisition of a subsidiary (i)	17	–	–	36,404,000	364
At the end of the period/year		242,398,675	2,424	242,398,675	2,424

Notes:

- (i) Pursuant to the sales and purchase agreement dated 31 March 2011 entered into between the Group and an independent vendor, 36,404,000 shares of HK\$0.01 each were issued by the Company as consideration for the acquisition of Astromax Investment Limited. The 36,404,000 shares were issued upon completion of the acquisition at the closing market price of HK\$1.6 at the date of acquisition. (Note 17).

The holders of the shares are entitled to receive dividends as declared from time to time and are entitled to one vote per shares at the meetings of the Company. All shares rank equally with regard to the Company's residual assets.

16 Capital commitments

	As at 30 June 2012 <i>HK\$'000</i> (Unaudited)	As at 31 December 2011 <i>HK\$'000</i> (Audited)
Contracted but not provided for:		
– Construction of factory building	11,013	95,132
– Acquisition of property, plant and equipment	3,873	4,754
	14,886	99,886
Authorised but not contracted for:		
– Construction of factory building	58,145	117,974
– Acquisition of property, plant and equipment	–	7,484
	58,145	125,458

17 Business Combinations

On 5 May 2011, the Group acquired 60% of the equity interest of 深圳歐羅家具有限公司 (Shenzhen Oulo Furniture Company Limited) (“Oulo”), through acquisition of 60% of the issued share capital of its ultimate holding company, Astromax Investment Limited (“Astromax”), which indirectly holds 100% equity interest in Oulo through its immediate holding company, City Leading Limited (the “Target Group”).

Astromax is a company incorporated in the British Virgin Islands on 2 July 2009 with limited liability. The principal business is investment holding and its principal asset as at the date hereof is its 100% shareholding in City Leading Limited (“City Leading”), which is an investment holding company holding 100% equity interest in Oulo. 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.

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

The acquisition will be beneficial to the Group. The established sales network and customer base of Oulo 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.

The Group has elected to measure the non-controlling interest in the Target Group at the non-controlling interest’s proportionate share of the Target Group’s identifiable net assets.



The fair values of the Identifiable assets acquired and liabilities of the Target Group as at the date of acquisition were as follows:

	Fair value recognized on acquisition (Unaudited) <i>HK\$'000</i>
Property, plant and equipment	3,811
Inventories	8,616
Trade and other receivables	13,880
Cash and cash equivalents	2,122
Tax refundable	135
Trade and other payables	(18,354)
	<hr/>
Total identifiable net assets at fair value	10,210
Non-controlling interest	(4,084)
Goodwill	52,120
	<hr/>
Satisfied by issuance of shares (<i>Note 15</i>)	<u>58,246</u>

The goodwill of HK\$52,120,000 arises from a number of factors such as its sales network and industry know how, other important elements including expected synergies through combining a highly skilled workforce, product complementary and obtaining economies of scale.

None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value of trade and other receivables in the Target Group is HK\$13,880,000 and includes trade receivable with a fair value of HK\$10,974,000. The gross contractual amount for trade receivables due is HK\$11,166,000, of which HK\$192,000 is expected to be uncollectible.

The consideration for the acquisition was satisfied by the issue and allotment of 36,404,000 ordinary shares of HK\$0.01 each of the Company at the date of acquisition on 5 May 2011. The fair value of the consideration was HK\$58,246,400, being the fair value of the shares measured at the closing market price of HK\$1.60 on 5 May 2011. No adjustment on the consideration was made as the Profit Guarantee has been met.

No acquisition-related costs is charged to the consolidated income statement for the period ended 30 June 2012 as all acquisition related costs is borne by the vendor.

An analysis of the cash flows in respect of the acquisition of the Target Group is as follow:

	<i>HK\$'000</i>
Cash and cash equivalents acquired	2,122
	<hr/>
Net inflow of cash and cash equivalents included in cash flows from investing activities	2,122
	<hr/> <hr/>

18 Contingent liabilities

As at 30 June 2012, the Group and the Company had no significant contingent liabilities.

19 Material Related Party Transactions

Key management personnel compensation:

	(Unaudited)	
	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term benefits	2,796	2,779
Post-employment benefits	40	34
Share-based payments	201	917
	<hr/>	<hr/>
	3,037	3,730
	<hr/> <hr/>	<hr/> <hr/>

20 Events after the reporting period

There are no significant events subsequent to 30 June 2012 which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The unfavourable environments brought by the Chinese Government's macroeconomic austerity measures, as well as various other unfavorable factors have been affecting the operations of the Group.

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 research and development capabilities, and diversifying its product offerings.

In May 2011, the Group acquired a 60% equity stake in Astromax Investment Limited ("Astromax") and hence its indirect wholly owned subsidiary 深圳歐羅家具有限公司 (Shenzhen Oulo Furniture Company Limited) ("Oulo"), a sofa manufacturer. The established sales network and customer base of Oulo strengthen the sales network and introduce a new source of income to the Group, and enable the Group to secure the supply and better control quality of the sofa products which complement its wooden furniture products.

During the period under review, the Group recorded an increase of 21.6% in revenue over the same period in 2011. Such an increase was mainly attributable to the increase in sales volume of sofa products and modern furniture. The production capacities of the Group have been increased after commencement of operation of phase 2 of the Group's production plant in Shenzhen in the first quarter of 2012, to cope with the increasing sales volume.

PROFIT GUARANTEE

As disclosed in the announcement of the Company dated 31 March 2011, the Company and the purchaser (being a wholly-owned subsidiary of the Company) entered into an agreement with the Vendor and the Remaining Shareholders to acquire a total of 60% of the issued share capital in Astromax ("the Acquisition") and hence its subsidiaries (the "Astromax Group"). The Acquisition was completed in May 2011. Pursuant to the agreement in respect of the Acquisition, 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 ("Guaranteed Profit"). Any shortfall in relation to the Guaranteed Profit for the financial year ending 31 December 2011, the consideration for the acquisition 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 for the acquisition 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 by cashier order.

According to the audited financial statements prepared under the PRC Generally Accepted Accounting Principles for the year ended 31 December 2011, the Guaranteed Profit has been met, no shortfall thereof is noted.

FINANCIAL REVIEW

Turnover

The Group's turnover increased by approximately 21.6% from about HK\$231.9 million for the six months ended 30 June 2011 to HK\$282.0 million for the six months ended 30 June 2012. The increase in turnover during the period was due to the increases in both domestic sales and export sales of approximately HK\$9.6 million and HK\$40.5 million respectively. The increase in the domestic sales during the period was a result of the Group's expansion in sales network in 3rd and 4th tier cities for its modern furniture, and the increase in export sales was primarily due to the contribution from the Group's sofa business acquired in 2011.

Gross Profit

During the period under review, the Group's gross profit margin decreased by 9 percentage point to 16.9% (six months ended 30 June 2011: 25.9%). The drop in the gross profit was a result of the following factors, firstly, the demand for Group's high price point classical furniture decreased, secondly, in order to strengthen our distributors position and hence the Group's sales network, the Group offered discount to our strategic distributors. Moreover, the prices of major raw materials (such as MDF board, ironware, paint and sponge) and the costs of transportation generally increased when compared with the corresponding period of 2011.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK\$37.1 million for the six months ended 30 June 2012, against about HK\$25.1 million for the six months ended 30 June 2011. The increase in selling and distribution expenses was a result of the increase in promotional costs, transportation costs and the general increase of expenses which were in line with the increase in turnover.

Administrative Expenses

For the six months ended 30 June 2012, the Group's administrative expenses were approximately HK\$24.7 million against about HK\$17.7 million for the six months ended 30 June 2011, representing an increase of about 39.7%. Such increase was mainly attributable to the increase in the staff costs and the general increase in other costs.

Loss for the Period

Loss attributable to equity holders of the Company for the Period was approximately HK\$17.9 million as compared to profit attributable to equity holders of the Company was approximately HK\$22.7 million for the corresponding period last year.



PROSPECT

Due to the prolonged impact of the global recession in 2011, China's economic growth further slowed down in the first half of 2012. As the macro-economic control policies of China have been proved to be effective, the business environment for the second half of 2012 will remain challenging due to factors such as greater competition and weak demand from downstream industries.

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. 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.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's funding and treasury activities are managed and controlled by the senior management. The Group maintained cash and bank balances of HK\$83.3 million as at 30 June 2012 (31 December 2011: HK\$123.6 million).

As at 30 June 2012, the Group's bank borrowings amounted to HK\$120.9 million (31 December 2011: HK\$124.9 million). As at the same date, the gearing ratio (total debt/total equity) was 0.81 (31 December 2011: 0.81).

As at 30 June 2012, the current ratio (current assets/current liabilities) was 1.0 time (31 December 2011: 1.1) and the net current assets amounted to HK\$2.8 million (31 December 2011: HK\$38.7 million).

FOREIGN CURRENCY RISK

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The 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 30 June 2012, the Group's banking facilities were secured by (i) a legal charge over a piece of land located in Longgang, Shenzhen; (ii) a mortgage over a factory plant located in Longgang, Shenzhen; and (iii) corporate guarantees provided by the Company and subsidiaries of the Company.

EMPLOYEES

As at 30 June 2012, the Group employed approximately 1,800 employees (30 June 2011: approximately 1,790). Total staff cost, including Directors' emoluments, amounted to HK\$53.1 million (30 June 2011: HK\$39.0 million). Salaries are reviewed annually and discretionary bonuses are paid on annual basis with reference to individual performance appraisals, inflation and prevailing market conditions. Other benefits available to eligible employees include employee share option, retirement benefits and medical insurance schemes.

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.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend (30 June 2011: HK2.30 cents per share) for the six months ended 30 June 2012.

CORPORATE GOVERNANCE AND OTHER INFORMATION **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the 6-month period ended 30 June 2012, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2012, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be entered into the register required to be kept under section 352 of the SFO or otherwise were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and/or the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:



Long positions in shares of HK\$0.01 each of the Company (“Shares”)

Name of Director/ chief executive	Nature of interests	Number of Shares	Approximate percentage of the issued share capital of the Company
Mr. Sung Kai Hing (<i>note 1</i>)	Corporate interests	18,280,155	7.54%
Mr. Cheung Kong Cheung (<i>note 2</i>)	Corporate interests	18,280,155	7.54%

Notes:

1. The Shares were held by King Right Holdings Limited (“**King Right**”), a company beneficially wholly-owned by Mr. Sung Kai Hing, who is also the sole director of King Right. By virtue of the SFO, Mr. Sung Kai Hing is deemed to be interested in the same parcel of Shares in which King Right is interested.
2. The Shares were held by United Sino Limited (“**United Sino**”), a company beneficially wholly-owned by Mr. Cheung Kong Cheung, who is also the sole director of United Sino. By virtue of the SFO, Mr. Cheung Kong Cheung is deemed to be interested in the same parcel of Shares in which United Sino is interested.

Long positions in the underlying Shares

Details are set out in the section headed “Share Option Schemes” below.

Save as disclosed above and in the section headed “Share Option Scheme” below, as at 30 June 2012, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares and debentures of the Company and its associate corporations (within the meaning of Part XV of the SFO), which were required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2012, the persons (not being a Director or chief executive of the Company) who have interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares of HK\$0.01 each

Name	Capacity	Number of Shares	Approximate percentage of shareholding %	Note
Triple Express Enterprises Limited ("Triple Express")	Beneficial owner	67,964,104	28.04	1
Mr. Fang Shin	Interest of a controlled corporation	67,964,104	28.04	1
Mrs. Fang Chang Rose Jean	Family interests	67,964,104	28.04	1
Top Prospect International Limited ("Top Prospect")	Beneficial owner	36,404,000	15.02	2
Mr. Yuan Han Xiang	Interest of a controlled corporation	36,404,000	15.02	2
King Right	Beneficial owner	18,280,155	7.54	3
Ms. Wong Wai King	Family interests	18,280,155	7.54	3
United Sino	Beneficial owner	18,280,155	7.54	4
Ms. Li Xin	Family interests	18,280,155	7.54	4
Golden Sunday Limited ("Golden Sunday")	Beneficial owner	18,280,155	7.54	5
Mr. Chan Kwok Kin	Interest of a controlled corporation	18,280,155	7.54	5
Ms. Ho Fung Ying	Family interests	18,280,155	7.54	5
Top Right Trading Limited ("Top Right")	Beneficial owner	17,195,431	7.09	6
Mr. Huang Wei Ye	Interest of a controlled corporation	17,195,431	7.09	6
Ms. Ye Jian Qun	Family interests	17,195,431	7.09	6



Notes:

1. Triple Express is a company beneficially wholly-owned by Mr. Fang Shin. By virtue of the SFO, Mr. Fang Shin is deemed to be interested in the same parcel of Shares in which Triple Express is interested. Mrs. Fang Chang Rose Jean is the spouse of Mr. Fang Shin and is deemed to be interested in the same parcel of Shares in which Mr. Fang Shin is interested by virtue of the SFO.
2. Top Prospect is a company beneficially wholly-owned by Mr. Yuan Han Xiang. By virtue of the SFO, Mr. Yuan Han Xiang is deemed to be interested in the same parcel of Shares in which Top Prospect is interested.
3. King Right is a company beneficially wholly-owned by Mr. Sung Kai Hing, who is also the sole director of King Right. Ms. Wong Wai King is the spouse of Mr. Sung Kai Hing and is deemed to be interested in the same parcel of Shares in which Mr. Sung Kai Hing is interested by virtue of the SFO.
4. United Sino is a company beneficially wholly-owned by Mr. Cheung Kong Cheung, who is also the sole director of United Sino. Ms. Li Xin is the spouse of Mr. Cheung Kong Cheung and is deemed to be interested in the same parcel of Shares in which Mr. Cheung is interested by virtue of the SFO.
5. Golden Sunday is a company beneficially wholly-owned by Mr. Chan Kwok Kin. By virtue of the SFO, Mr. Chan is deemed to be interested in the same parcel of Shares in which Golden Sunday is interested. Ms. Ho Fung Ying is the spouse of Mr. Chan and is deemed to be interested in the same parcel of Shares in which Mr. Chan is interested by virtue of the SFO.
6. Top Right is a company beneficially wholly-owned by Mr. Huang Wei Ye. By virtue of the SFO, Mr. Huang Wei Ye is deemed to be interested in the same parcel of Shares in which Top Right is interested. Ms. Ye Jian Qun is the spouse of Mr. Huang Wei Ye and is deemed to be interested in the same parcel of Shares in which Mr. Huang is interested by virtue of the SFO.

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

SHARE OPTION SCHEMES

Pre-IPO Share Option Scheme

Pursuant to the Pre-IPO Share Option Scheme adopted by the Company by the written resolutions of the shareholders on 29 May 2009, certain Directors and employees of the Company were granted share options to subscribe for the Shares at the exercise price of HK\$1.0647 per Share. Details of the share options movements during the six months ended 30 June 2012 under the Pre-IPO Share Option Scheme were as follows:

Name	Date of grant	Outstanding share options granted under the Pre-IPO Share Option Scheme as at 1 January 2012	Number of share options			Outstanding share options granted under the Pre-IPO Share Option Scheme as at 30 June 2012	Exercise period
			Granted during the period	Exercised during the period	Cancelled/lapsed during the period		
Directors of the Company							
Mr. Sung Kai Hing	29 May 2009	1,498,670	-	-	-	1,498,670	23/12/2009 – 30/12/2016
Mr. Cheung Kong Cheung	29 May 2009	1,498,670	-	-	-	1,498,670	23/12/2009 – 30/12/2016
Mr. Sun Jian	29 May 2009	374,667	-	-	-	374,667	23/12/2009 – 19/6/2017
		187,334	-	-	-	187,334	20/6/2010 – 19/6/2017
		187,334	-	-	-	187,334	20/6/2011 – 19/6/2017
Other employees							
In aggregate	29 May 2009	3,746,675	-	-	-	3,746,675	23/12/2009 – 30/12/2016
		374,667	-	-	-	374,667	23/12/2009 – 19/6/2017
		374,668	-	-	-	374,668	31/12/2009 – 30/12/2016
		374,667	-	-	-	374,667	31/12/2010 – 30/12/2016
		187,334	-	-	-	187,334	20/6/2010 – 19/6/2017
		187,334	-	-	-	187,334	20/6/2011 – 19/6/2017
Total		8,992,020	-	-	-	8,992,020	

Note: The closing price before the date of grant is not available as the Shares were first listed on the Stock Exchange on 22 June 2009.

Share Option Scheme

The Company also adopted the Share Option Scheme by the written resolutions of the shareholders on 29 May 2009. The purpose of the Share Option Scheme is to enable the Company to grant options to full-time or part-time employees, directors, consultants, advisers, distributor, contractor, supplier, service provider, agent, customer and business partner of the Company and/or any of its subsidiaries (the “**Eligible Participants**”) as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants. Details of the share options movements during the six months ended 30 June 2012 under the Share Option Scheme were as follows:

Name	Outstanding share options granted under the Share Option Scheme as at 1 January 2012		Number of share options			Outstanding share options granted under the Share Option scheme as at 30 June 2012		Exercise period
	Date of grant		Granted during the period	Exercised during the period	Cancelled/lapsed during the period			
Directors of the Company								
Mr. Sung Kai Hing	750,000	5 May 2011 [†]	-	-	-	750,000	5/5/2012 – 4/5/2014	
	750,000	5 May 2011 [†]	-	-	-	750,000	1/1/2013 – 4/5/2014	
Mr. Cheung Kong Cheung	750,000	5 May 2011 [†]	-	-	-	750,000	5/5/2012 – 4/5/2014	
	750,000	5 May 2011 [†]	-	-	-	750,000	1/1/2013 – 4/5/2014	
Mr. Sun Jian	150,000	23 April 2010 [*]	-	-	-	150,000	23/4/2011 – 22/4/2013	
	150,000	23 April 2010 [*]	-	-	-	150,000	1/1/2012 – 22/4/2013	
Ms. Shao Hanqing	150,000	23 April 2010 [*]	-	-	-	150,000	23/4/2011 – 22/4/2013	
	150,000	23 April 2010 [*]	-	-	-	150,000	1/1/2012 – 22/4/2013	
Mr. Kong Hing Ki	150,000	23 April 2010 [*]	-	-	-	150,000	23/4/2011 – 22/4/2013	
	150,000	23 April 2010 [*]	-	-	-	150,000	1/1/2012 – 22/4/2013	
Other employees								
In aggregate	5,550,000	23 April 2010 [*]	-	-	-	5,550,000	23/4/2011 – 22/4/2013	
	5,550,000	23 April 2010 [*]	-	-	-	5,550,000	1/1/2012 – 22/4/2013	
	500,000	5 May 2011 [†]	-	-	-	500,000	5/5/2012 – 4/5/2014	
	500,000	5 May 2011 [†]	-	-	-	500,000	5/5/2013 – 4/5/2014	
Total	16,000,000		-	-	-	16,000,000		

Notes:

* The exercise price of the options granted on 22 April 2010 under the Share Option Scheme as set out above is HK\$1.422 per Share. The closing price of the Shares immediately before the date of grant of such options was HK\$1.39 per Share.

† The exercise price of the options granted on 5 May 2011 under the Share Option Scheme as set out above is HK\$1.80 per Share. The closing price of the Shares immediately before the date of grant of such options was HK\$1.60 per share.

CORPORATE GOVERNANCE

The Directors 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.

During the six months ended 30 June 2012, the Company has complied with most of the code provisions set out in the Appendix 14 Corporate Governance Code (the “Code”) to 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

The Company has adopted the 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 for the 6-month period ended 30 June 2012.

AUDIT COMMITTEE

The Company established an audit committee on 29 May 2009 with written terms of reference which are in compliance with the code provisions of the Code. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group. The audit committee currently 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 unaudited interim financial statements and the interim report for the six months ended 30 June 2012.



REMUNERATION COMMITTEE

The Company established a remuneration committee on 29 May 2009 with written terms of reference which are in compliance with the code provisions of the Code. The remuneration committee makes recommendations to the Board on, among other matters, the Company's policy and structure for the remuneration of all Directors and the senior management of the Group and are delegated by the Board the responsibility to determine on behalf of the Board the specific remuneration packages for all Directors and the senior management of the Group. The remuneration committee consists of three members namely, Mr. Sun Jian (Chairman), Ms. Shao Hanqing and Mr. Kong Hing Ki, all being independent non-executive Directors.

NOMINATION COMMITTEE

The Company established a nomination committee on 29 May 2009 with written terms of reference which are in compliance with paragraph A.5.2 of the Code. The nomination committee shall make recommendations to the Board on appointment of Directors and succession planning for Directors. The nomination committee consists of five members namely Ms. Shao Hanqing (Chairman), Mr. Sung Kai Hing, Mr. Cheung Kong Cheung, Mr. Sun Jian and Mr. Kong Hing Ki.

AUDIT COMMITTEE REVIEW

The accounting information given in this interim report has not been audited but has been reviewed by the Audit Committee of the Company.

PUBLICATION OF UNAUDITED INTERIM REPORT

The Company's 2012 interim report is published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.hingleehk.com.hk.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, customers and business partners for their continuous supports. My thanks also go to all staff members of the Group for their contributions and commitment to the continuous success of the Group.

By Order of the Board of

Hing Lee (HK) Holdings Limited

Sung Kai Hing

Chairman and Chief Executive Officer

Hong Kong, 24 August 2012