



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 2013

CONTENTS

	<i>Page</i>
Corporate information	2
Condensed consolidated interim income statement	3
Condensed consolidated interim statement of comprehensive income	4
Condensed consolidated interim financial position	5
Condensed consolidated interim statement of changes in equity	6
Condensed consolidated interim statement of cash flows	7
Notes to the condensed consolidated interim financial statements	8
Management discussion and analysis	21
Corporate governance and other information	23





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”) is pleased to announce the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2013 with comparative figures for the corresponding period in 2012.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

	Notes	(Unaudited)	
		Six months ended 30 June	
		2013	2012
		HK\$'000	HK\$'000
Turnover	3	292,616	282,026
Cost of sales		(233,320)	(234,280)
Gross profit		59,296	47,746
Other revenue		4,902	634
Selling and distribution expenses		(32,762)	(37,148)
Administrative expenses		(22,489)	(24,658)
Profit/(loss) from operations		8,947	(13,426)
Finance costs		(2,972)	(1,954)
Profit/(loss) before taxation	5	5,975	(15,380)
Taxation	6	(1,518)	(306)
Profit/(loss) for the period		4,457	(15,686)
Attributable to:			
Equity shareholders of the Company		5,031	(17,902)
Non-controlling interests		(574)	2,216
		4,457	(15,686)
Earnings/(losses) per share attributable to the equity holders of the Company (HK cents)	7		
– basic		2.08	(7.39)
– diluted		2.08	(7.34)
		HK\$'000	HK\$'000
Dividend	8	–	4,727

The notes on pages 8 to 20 form an integral part of this condensed consolidated interim financial statements.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME**

(Unaudited)

Six months ended 30 June

2013 2012

HK\$'000 HK\$'000

Profit/(loss) for the period	4,457	(15,686)
Other comprehensive income/(loss)		
Fair value gains/(loss) on available-for-sale investments, net of tax	(1)	8
Currency translation differences	3,745	(1,277)
	<hr/>	<hr/>
Total comprehensive income/(loss) for the period	8,201	(16,955)
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income/(loss) attributable to		
– equity shareholders of the Company	8,775	(19,171)
– non-controlling interests	(574)	2,216
	<hr/>	<hr/>
	8,201	(16,955)
	<hr/> <hr/>	<hr/> <hr/>

The notes on pages 8 to 20 form an integral part of this condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM FINANCIAL POSITION

		As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	300,583	301,947
Prepaid lease payments	9	48,967	48,660
Goodwill	10	52,120	52,120
Available-for-sale investments	11	66	65
		<u>401,736</u>	<u>402,792</u>
Current assets			
Prepaid lease payments	9	1,139	1,119
Inventories		129,506	118,376
Trade debtors and bills receivable	12	44,210	28,922
Prepayments, deposits and other receivables		98,988	79,076
Restricted bank deposits		-	1,517
Cash and cash equivalents		54,344	93,392
		<u>328,187</u>	<u>322,402</u>
Current liabilities			
Trade creditors and bills payable	13	186,783	167,415
Other payables and accrued charges		86,262	74,553
Current portion of bank borrowings	14	52,365	77,774
Current taxation		1,730	1,191
		<u>327,140</u>	<u>320,933</u>
Net current assets		<u>1,047</u>	<u>1,469</u>
		<u>402,783</u>	<u>404,261</u>
Non-current liabilities			
Other payable		6,869	6,647
Non-current portion of bank borrowings	14	25,862	35,763
		<u>32,731</u>	<u>42,410</u>
Net assets		<u>370,052</u>	<u>361,851</u>
Capital and reserves			
Share capital	15	2,424	2,424
Reserves		360,719	351,944
Total equity attributable to equity shareholders of the Company		<u>363,143</u>	<u>354,368</u>
Non-controlling interests		6,909	7,483
Total equity		<u>370,052</u>	<u>361,851</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Note	(Unaudited)											
	Attributable to equity shareholders of the Company											
	Share capital	Share premium	Exchange reserve	Statutory reserve fund	Merger reserve	Fair value reserve	Share option reserve	Capital reserve	Retained profits	Total	Non-controlling interest	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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>
At 1 January 2013	2,424	141,505	40,203	9,597	25,430	13	8,798	(6,486)	132,884	354,368	7,483	361,851
Profit (loss) for the period	-	-	-	-	-	-	-	-	5,031	5,031	(574)	4,457
Fair value change on available for sale investments recognised directly in equity	-	-	-	-	-	(1)	-	-	-	(1)	-	(1)
Currency transaction differences	-	-	3,745	-	-	-	-	-	-	3,745	-	3,745
Total comprehensive income for the period ended 30 June 2013	-	-	3,745	-	-	(1)	-	-	5,031	8,775	(574)	8,201
Transfer of reserve	-	-	-	-	-	-	-	-	-	-	-	-
Equity settled share option arrangements	-	-	-	-	-	-	-	-	-	-	-	-
Dividends relating to 2012 paid in 2013	8	-	-	-	-	-	-	-	-	-	-	-
At 30 June 2013	<u>2,424</u>	<u>141,505</u>	<u>43,948</u>	<u>9,597</u>	<u>25,430</u>	<u>12</u>	<u>8,798</u>	<u>(6,486)</u>	<u>137,915</u>	<u>363,143</u>	<u>6,909</u>	<u>370,052</u>

The notes on pages 8 to 20 form an integral part of this condensed consolidated interim financial statements.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(3,922)	(14,533)
Net cash used in investing activities	(140)	(19,941)
Net cash used in financing activities	(36,555)	(8,266)
Net decrease in cash and cash equivalents	(40,617)	(42,740)
Effect of foreign exchange rate changes	1,569	2,426
Cash and cash equivalents at the beginning of the period	93,392	123,630
Cash and cash equivalents at the end of the period	<u>54,344</u>	<u>83,316</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>54,344</u>	<u>83,316</u>

The notes on pages 8 to 20 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 26 August 2013.

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 2013 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 2012, 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 1 January 2013. 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 the unaudited revenue and profit information regarding the Group’s operating segments for the six months ended 30 June 2013 and 30 June 2012, respectively:

	2013				2012			
	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	221,666	70,950	-	292,616	156,686	125,340	-	282,026
Inter-segment	-	2,570	-	2,570	-	1,319	-	1,319
Reportable segment revenue	<u>221,666</u>	<u>73,520</u>	<u>-</u>	<u>295,186</u>	<u>156,686</u>	<u>126,659</u>	<u>-</u>	<u>283,345</u>
Interest income	-	-	1,562	1,562	-	-	81	81
Interest expenses	-	-	2,972	2,972	-	-	1,954	1,954
Depreciation and amortisation	7,337	960	-	8,297	4,997	1,010	-	6,007
Reportable segment profit/(loss)	5,547	(962)	-	4,585	(17,295)	3,966	-	(13,329)

The following table presents segment assets of the Group’s operating segments as at 30 June 2013 and 31 December 2012.

	2013				2012			
	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	561,010	92,159	76,754	729,923	555,789	90,805	78,600	725,194

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

	(Unaudited)	
	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Reportable segment revenue	295,186	283,345
Elimination of inter-segment revenue	(2,570)	(1,319)
	<hr/>	<hr/>
Consolidated revenue	292,616	282,026
	<hr/> <hr/>	<hr/> <hr/>
Profit or loss		
Reportable segment profit/(loss)	4,584	(13,329)
Other income	4,902	634
Unallocated amounts:		
Interest expense	(2,971)	(1,954)
Other head office and corporate expenses	(539)	(731)
	<hr/>	<hr/>
Consolidated profit/(loss) before taxation	5,976	(15,380)
	<hr/> <hr/>	<hr/> <hr/>
	As of	As at
	30 June	31 December
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Assets		
Total assets for reportable segments	653,169	646,594
Available-for sales investments*	66	65
Unallocated head office and corporate assets	76,688	78,535
	<hr/>	<hr/>
Consolidated total assets	729,923	725,194
	<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	
	2013	2012
	HK\$'000	HK\$'000
Asia (excluding the People's Republic of China ("PRC"))*	98,338	81,140
Europe	7,796	1,610
PRC	158,254	152,203
The United States of America	22,165	23,837
Others	6,063	23,236
	<u>292,616</u>	<u>282,026</u>

Specified non-current assets

	As at	As at
	30 June	31 December
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Asia (excluding the PRC)	1,047	1,301
PRC	400,623	401,426
	<u>401,670</u>	<u>402,727</u>

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

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, such options were lapsed on 22 April 2013.

^{*} 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 2013, the fair value of share options granted is nil (six months ended 30 June 2012: HK\$267,446 which was 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	
	2013	2012
	HK\$'000	HK\$'000
After charging		
(a) Finance cost		
Interest on borrowings	2,972	3,569
Less: interest capitalised	–	(1,615)
	<u>2,972</u>	<u>1,954</u>
(b) Other items		
Auditor's remuneration	400	400
Cost of inventories sold	233,320	234,280
Staff costs (including Directors' emoluments)		
– Directors' emoluments	1,217	1,415
– others	62,907	51,656
Depreciation	8,298	6,007
Amortisation of prepaid land lease payments	564	556
Net exchange loss (gain)	1,620	1,648
	<u>1,562</u>	<u>81</u>
After crediting		
Interest income	1,562	81

6 Taxation

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

	(Unaudited)	
	Six months ended 30 June	
	2013	2012
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	1,129	–
– PRC enterprise income tax	389	306
	<u>1,518</u>	<u>306</u>

- (i) The provision for Hong Kong profits tax for the six months ended 30 June 2013 is calculated at 16.5% (six months ended 30 June 2012: 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 2013 (2012: 25%).
 - Shenzhen Xingli Furniture Company Limited was subject to the PRC EIT rate of 25% in 2013 (2012: 25%).
 - Shenzhen Xingli Zundian Furniture Company Limited, was subject to the PRC EIT rate of 25% in 2013 (2012: 25%).
 - The tax rate for Shenzhen Oulo Furniture Company Limited was 25% in 2013 (2012: 12.5%).
- (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

At 30 June 2013, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$81,182,000 (2012: HK\$9,092,000) as it is not probable that future taxable profits, against which the assets can be utilised, will be available in relevant tax jurisdiction and entity. Of the total tax losses, HK\$66,583,000 (2012: HK\$Nil) will expire within 5 years and the remaining tax losses of HK\$14,599,000 (2012: HK\$9,092,000) have no expiry date under the current tax legislation.

At 30 June 2013, the Group has unrecognised deferred tax liabilities of HK\$2,271,000 (2012: HK\$3,575,000) in relation to withholding tax on undistributed earnings of HK\$45,420,000 (2012: HK\$71,496,000) due to the retention of undistributed earnings by the Group's subsidiaries in the PRC determined by the Directors.

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 (2012: 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 2013 is based on the earning attributable to equity shareholders of the Company of HK\$5,031,000 (six months ended 30 June 2012: loss of HK\$17,902,000) and the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2013 of 242,398,675 (six months ended 30 June 2012: 242,398,675 ordinary shares).

(b) Diluted earnings/(losses) per share

The calculation of diluted earning per share is based on the earning attributable to ordinary equity shareholders of the Company of HK\$5,031,000 (six months ended 30 June 2012: loss of HK\$17,902,000) and the weighted average number of ordinary shares (diluted) of 242,398,675 shares, calculated as follows:

	(Unaudited)	
	2013	2012
	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares at 30 June	242,398,675	242,398,675
Effect of dilutive potential ordinary shares arising from share options	–	1,454,779
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(losses) per share	<u>242,398,675</u>	<u>243,853,454</u>

8 Dividend

- (a) The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2013 (six months ended 30 June 2012: Nil).
- (b) Dividends payable to equity shareholders attributable to the previous financial year, approved and paid during the interim period.

	(Unaudited)	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the following interim period of HK\$nil per ordinary share (six months ended 30 June 2012: HK\$1.95 cents per ordinary share)	–	4,727
	<hr/>	<hr/>

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 2013		
Net book value as at 1 January 2013	301,947	49,779
Exchange realignment	5,325	891
Additions	1,726	–
Disposal	(117)	–
Depreciation and amortization	(8,298)	(564)
	<u>300,583</u>	<u>50,106</u>
Net book value as at 30 June 2013		
	<u>300,583</u>	<u>50,106</u>
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)
	<u>282,329</u>	<u>50,071</u>
Net book value as at 30 June 2012	<u>282,329</u>	<u>50,071</u>

10 Goodwill

	30 June 2013 <i>HK\$'000</i> (Unaudited)	31 December 2012 <i>HK\$'000</i> (Audited)
Cost		
Balance at beginning and end of period	<u>52,120</u>	<u>52,120</u>
Impairment losses		
Balance at beginning and end of period	<u>–</u>	<u>–</u>
Carrying amounts		
Balance at beginning and end of period	<u>52,120</u>	<u>52,120</u>

11 Available-for-sale investments

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Listed equity-investments, at market value		
– Hong Kong	66	65

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 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Current	30,808	23,899
Less than 3 months past due	3,620	1,086
3 to 6 months	4,453	2,616
6 to 12 months	3,825	358
More than 12 months	1,504	963
	44,210	28,922

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 2013 <i>HK\$'000</i> (Unaudited)	As at 31 December 2012 <i>HK\$'000</i> (Audited)
Within 3 months	107,883	124,777
3 months to 1 year	78,387	41,169
Over 1 year	513	1,469
	<hr/> 186,783 <hr/>	<hr/> 167,415 <hr/>

14 Secured bank loans

Movements in secured bank loans is analysed as follows:

	(Unaudited) <i>HK\$'000</i>
Six months ended 30 June 2013	
Opening amount as at 1 January 2013	113,537
Exchange realignment	1,244
Proceeds from new secured bank loans	9,819
Repayment of secured bank loans	(46,373)
	<hr/>
Closing amount as at 30 June 2013	<hr/> 78,227 <hr/>
Six months ended 30 June 2012	
Opening amount as at 1 January 2012	124,904
Exchange realignment	(45)
Proceeds from new secured bank loans	60
Repayment of secured bank loans	(3,600)
	<hr/>
Closing amount as at 30 June 2012	<hr/> 120,914 <hr/>

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 2013, none of the covenants relating to drawn down facilities had been breached (31 December 2012: Nil).

15 Share capital

	(Unaudited)		(Audited)	
	30 June 2013		31 December 2012	
	Number of ordinary shares of	Amount	Number of ordinary shares of	Amount
Note	HK\$0.01 each	HK\$'000	HK\$0.01 each	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	242,398,675	2,424
At the end of the period/year	242,398,675	2,424	242,398,675	2,424

16 Capital commitments

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Contracted but not provided for:		
– Construction of factory building	70,386	74,994
– Acquisition of property, plant and equipment	617	1,297
	71,003	76,291
Authorised but not contracted for:		
– Construction of factory building	117,945	117,945
– Acquisition of property, plant and equipment	7,482	7,482
	125,427	125,427

17 Contingent liabilities

As at 30 June 2013, the Group and the Company had no significant contingent liabilities.

18 Material Related Party Transactions

Key management personnel compensation:

	(Unaudited)	
	Six months ended 30 June	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term benefits	2,802	2,796
Post-employment benefits	49	40
Share-based payments	–	201
	<u>2,851</u>	<u>3,037</u>

19 Events after the reporting period

There are no significant events subsequent to 30 June 2013 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

While the global economic conditions remained volatile and complicated in the six months period ended 30 June 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 period under review, we recorded a growth in turnover by 3.8% and the Group turned around from loss to profit of approximately HK\$5.0 million.

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.

FINANCIAL REVIEW

Turnover

The Group's turnover increased by approximately 3.8% from about HK\$282.0 million for the six months ended 30 June 2012 to HK\$292.6 million for the six months ended 30 June 2013. The increase in turnover during the period was due to the increases in both domestic sales and export sales. 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 increase in orders from the Group's existing customers.

Gross Profit

During the period under review, the Group's gross profit margin increased by 3.4 percentage point to 20.3% (six months ended 30 June 2012: 16.9%). The improvement in the gross profit was a result of increase in price of our modern furniture.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK\$32.8 million for the six months ended 30 June 2013, against about HK\$37.1 million for the six months ended 30 June 2012. The decrease in selling and distribution expenses was a result of the stringent and effective control in promotional costs.

Administrative Expenses

For the six months ended 30 June 2013, the Group's administrative expenses were approximately HK\$22.5 million against about HK\$24.7 million for the six months ended 30 June 2012, representing a decrease of about 8.9%. Such decrease was mainly attributable to the stringent cost control policies implemented during the period under review.

Profit for the Period

Profit attributable to equity holders of the Company for the Period was approximately HK\$5.0 million as compared to loss attributable to equity holders of the Company of approximately HK\$17.9 million for the corresponding period last year.

PROSPECT

For the second half of 2013, macro-economic uncertainty 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. We hold a belief that investments in brand building and proactive management of sales channels are crucial to the healthy development of an enterprise in the long run.

Therefore, the Group will continue to implement prudent and flexible operation strategy, and 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\$54.3 million as at 30 June 2013 (31 December 2012: HK\$93.4 million).

As at 30 June 2013, the Group's bank borrowings amounted to HK\$78.2 million (31 December 2012: HK\$113.5 million). As at the same date, the gearing ratio (total debt/total equity) was 1.0 (31 December 2012: 1.0).

As at 30 June 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\$1.0 million (31 December 2012: HK\$1.5 million).

The ageing analysis of trade creditors and bills payable and the movement of bank borrowings are set out in Notes 13 and 14 to the financial statements of this interim report .

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 2013, 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 2013, the Group employed approximately 1,840 employees (30 June 2012: approximately 1,800). Total staff cost, including Directors' emoluments, amounted to HK\$64.1 million (30 June 2012: HK\$53.1 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 2012: Nil) for the six months ended 30 June 2013.

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

During the 6-month period ended 30 June 2013, 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 2013, 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 of Hong Kong Limited (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 2013, 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 2013, 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 Group 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 2013 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 2013	Number of share options			Outstanding share options granted under the Pre-IPO Share Option Scheme as at 30 June 2013	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 2013 under the Share Option Scheme were as follows:

Name	Outstanding share options granted under the Share Option Scheme as at 1 January 2013		Number of share options			Outstanding share options granted under the Share Option scheme as at 30 June 2013		
	Date of grant		Granted during the period	Exercised during the period	Cancelled/lapsed during the period	Exercise 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		-	-	12,000,000	16,000,000		

Notes:

* The exercise price of the options granted on 23 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 options were lapsed on 22 April 2013.

‡ 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 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.

During the six months ended June 30 2013, the Company has complied with Corporate Governance Code and Corporate Governance Report (the “CG Code”) contained in Appendix 14 of the Listing Rules on the Stock Exchange except for the following deviation:

Code provision A.2.1

Code provision A.2.1 of the CG Code 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 longterm business strategies.

MODEL CODE FOR DIRECTORS’ SECURITIES TRANSACTIONS

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 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 period under review.

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 CG 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 2013.

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 CG 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 CG 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 2013 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, 26 August 2013