



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

INTERIM
REPORT 2019



CONTENTS

	<i>Page</i>
Corporate information	2
Condensed consolidated interim statement of profit or loss	3
Condensed consolidated interim statement of profit or loss and other comprehensive income	4
Condensed consolidated interim financial position	5
Condensed consolidated interim statement of changes in equity	6
Condensed consolidated interim cash flows statement	7
Notes to the condensed consolidated interim financial statements	8
Management discussion and analysis	24
Corporate governance and other information	27



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Sung Kai Hing

(Chairman and Chief Executive Officer)

Mr. Cheung Kong Cheung

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 SECRETARY

Mr. Wong Kit Wai, FHKICPA, FCIS

AUTHORISED REPRESENTATIVES

Mr. Sung Kai Hing

Mr. Wong Kit Wai

PRINCIPAL BANKERS

Bank of China (Hong Kong) 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

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08

Bermuda

LEGAL ADVISERS

Sit, Fung, Kwong & Shum

Beijing Yingke Law Firm Shenzhen Office

Conyers Dill & Pearman

AUDITORS

Baker Tilly Hong Kong Limited

Certified Public Accountants

HONG KONG SHARE REGISTRAR

Union Registrars Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

STOCK CODE

396

COMPANY WEBSITE

www.hingleehk.com.hk



INTERIM RESULTS

The board of directors (each a “Director”, collectively the “Board”) 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 2019 with comparative figures for the corresponding period in 2018.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	Notes	(Unaudited)	
		Six months ended 30 June	
		2019	2018
		HK\$'000	HK\$'000
Turnover	4	126,015	136,235
Cost of sales		(104,219)	(104,284)
Gross profit		21,796	31,951
Other net income		2,626	1,160
Selling and distribution expenses		(13,550)	(13,805)
Administrative expenses		(39,027)	(15,266)
(Loss)/profit from operations		(28,155)	4,040
Finance costs		(829)	(1,517)
(Loss)/profit before taxation	5	(28,984)	2,523
Income tax	6	341	(275)
(Loss)/profit for the period		(28,643)	2,248
Attributable to:			
Equity shareholders of the Company		(28,643)	2,248
		<i>(HK cents)</i>	<i>(HK cents)</i>
(Loss)/earnings per share attributable to the equity holders of the Company			
– basic	7	(3.54)	0.28
– diluted	7	(3.54)	0.28
		HK\$'000	HK\$'000
Dividend	8	–	–

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

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
(Loss)/profit for the period	(28,643)	2,248
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Loss on fair value of equity securities, net of tax	-	(7)
Exchange differences on translation of financial statements of overseas subsidiaries (after tax)	<u>151</u>	<u>(9,515)</u>
Total comprehensive loss for the period	<u>(28,492)</u>	<u>(7,274)</u>
Total comprehensive loss attributable to		
– equity shareholders of the Company	<u>(28,492)</u>	<u>(7,274)</u>

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 2019 <i>HK\$'000</i> (Unaudited)	As at 31 December 2018 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	9	198,957	198,320
Prepaid lease payments	9	37,078	37,742
Right-of use asset		1,015	–
Goodwill	10	49,273	49,468
		<u>286,323</u>	<u>285,530</u>
Current assets			
Prepaid lease payments	9	1,002	1,006
Right-of use asset		2,231	–
Inventories		16,393	32,298
Trade debtors and bills receivable	11	44,220	39,196
Prepayments, deposits and other receivables	12	76,878	87,817
Current tax refundable		393	–
Derivative financial instruments	13	566	–
Pledged bank deposits		–	13,163
Cash and cash equivalents		39,065	23,890
		<u>180,748</u>	<u>197,370</u>
Current liabilities			
Contract liabilities		452	1,124
Trade creditors and bills payable	14	79,776	76,871
Other payables and accrued charges		40,625	37,543
Bank borrowings	15	36,847	32,455
Current tax payable		12	349
Lease liabilities		2,229	–
		<u>159,941</u>	<u>148,342</u>
Net current assets		<u>20,807</u>	<u>49,028</u>
Total assets less current liabilities		<u>307,130</u>	<u>334,558</u>
Non-current liabilities			
Lease liabilities		1,064	–
		<u>1,064</u>	<u>–</u>
Net assets		<u>306,066</u>	<u>334,558</u>
Capital and reserves			
Share capital	16	8,081	8,081
Reserves		297,985	326,477
Total equity		<u>306,066</u>	<u>334,558</u>



CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	(Unaudited)									
	Attributable to equity shareholders of the Company									
	Share capital	Share premium	Exchange reserve	Statutory reserve fund	Merger reserve	Share option reserve	Fair value reserve	Capital reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2018	8,061	175,384	29,096	10,061	25,430	143	15	(24,862)	193,621	416,949
Profit for the period	-	-	-	-	-	-	-	-	2,248	2,248
Fair value change on equity securities recognised as Other Comprehensive Income	-	-	-	-	-	-	(7)	-	-	(7)
Other comprehensive income	-	-	(9,515)	-	-	-	-	-	-	(9,515)
Total comprehensive income	-	-	(9,515)	-	-	-	(7)	-	2,248	(7,274)
Appropriation of reserve	-	-	-	280	-	-	-	-	(280)	-
At 30 June 2018	<u>8,061</u>	<u>175,384</u>	<u>19,581</u>	<u>10,341</u>	<u>25,430</u>	<u>143</u>	<u>8</u>	<u>(24,862)</u>	<u>195,589</u>	<u>409,675</u>
At 1 January 2019	8,061	176,627	22,515	10,384	25,430	-	-	(24,862)	116,383	334,558
Loss for the period	-	-	-	-	-	-	-	-	(28,643)	(28,643)
Other comprehensive income	-	-	151	-	-	-	-	-	-	151
Total comprehensive loss	-	-	151	-	-	-	-	-	(28,643)	(28,492)
Appropriation of reserve	8,061	176,627	22,666	10,384	25,430	-	-	(24,862)	87,740	306,066

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

CONDENSED CONSOLIDATED INTERIM CASH FLOWS STATEMENT

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	23,541	32,553
Net cash used in investing activities	(9,281)	(39,307)
Net cash generated from/(used in) financing activities	<u>933</u>	<u>(37,100)</u>
Net decrease in cash and cash equivalents	15,193	(43,854)
Effect of foreign exchange rate changes	(18)	(178)
Cash and cash equivalents at the beginning of the period	<u>23,890</u>	<u>70,550</u>
Cash and cash equivalents at the end of the period	<u><u>39,065</u></u>	<u><u>26,518</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u><u>39,065</u></u>	<u><u>26,518</u></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

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 The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, 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 for issue on 30 August 2019.

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 2019 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 2018, except for the adoption of new Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA as disclosed in note 3 below.

The Interim Financial Report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards (HKFRSs).

3 Changes in Accounting Policies and Disclosures

The accounting policies adopted in the preparation of the condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2018, except for the adoption of new standards effective as of 1 January 2019.

HKFRS 16	Leases
HK(IFRIC)-Int 23 2015–2017 Cycle	Uncertainty over Income Tax Treatments Annual Improvements Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Venture

Other than as explained below regarding the impact of HKFRS 16 Leases, and HK(IFRIC)-Int 23 *Uncertainty over Income Tax Treatments*, the new and revised standards are not relevant to the preparation of the Group's interim condensed consolidated financial information.

3.1 Adoption of HKFRS 16

Impacts on transition

Lease liabilities at 1 January 2019 were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at 1 January 2019 and included in lease liabilities and other payables. The right-of-use assets were measured at the amount of the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before 1 January 2019. All these assets were assessed for any impairment based on HKAS 36 on that date. The Group elected to present the right-of-use assets separately in the statement of financial position.

The Group has used the following elective practical expedients when applying HKFRS 16 at 1 January 2019:

- (i) short-term leases; and
- (ii) leases for which the underlying asset is of low value.

(a) *The impacts arising from the adoption of HKFRS 16 as at 1 January 2019 are as follows:*

	Increase/ (decrease) HK\$'000 (Unaudited)
Assets	
Increase in right-of-use assets	6,648
Increase in total assets	<u>6,648</u>
Liabilities	
Increase in lease liabilities	6,648
Increase in total liabilities	<u>6,648</u>



(b) *Nature of the effect of adoption of HKFRS 16*

On transition to HKFRS16, the weighted average incremental borrowing rate applied to lease liabilities recognized under HKFRS 16 was 4.80%

The lease liabilities as at 1 January 2019 reconciled to the operating leases commitments as at 31 December 2018 is as follows:

	<i>HK\$'000</i> (Unaudited)
Operating lease commitments disclosed at 31 December 2018	6,859
Discounted using incremental borrowing rate	<u>(211)</u>
Total lease liabilities recognized under HKFRS 16 at January 2019	<u><u>6,648</u></u>

Summary of new accounting policies

The accounting policy for leases as disclosed in the annual financial statements for the year ended 31 December 2018 is replaced with the following new accounting policies upon adoption of HKFRS 16 from 1 January 2019:

Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. When the right-of-use assets relate to interests in leasehold land held as inventories, they are subsequently measured at the lower of cost and net realisable value in accordance with the Group's policy for "inventories". The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of the estimated useful life and the lease term.

Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(c) Amounts recognised in the statement of financial position and profit or loss

	Right-of-use Assets	Lease liabilities and other payables
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
As at 1 January 2019	6,648	6,648
Depreciation charge	(3,440)	–
Interest expense	–	128
Payments	–	(3,460)
Exchange realignment	38	(23)
	<u>38</u>	<u>(23)</u>
As at 30 June 2019	<u>3,246</u>	<u>3,293</u>

4 Segment Reporting

(a) Operating segment information

The Group is principally engaged in the manufacture and sale of home furniture. All of the Group's products are of a similar nature and subject to similar risk and returns. The Group's operating activities are attributable to a single operating segment.

(b) Geographic information

The following table sets out information about the geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, prepaid lease payments and goodwill ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and prepaid lease payments, and the location of the operation to which they are allocated, in the case of goodwill.

**Revenue from external customers**

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Asia (excluding the People's Republic of China ("PRC"))*	46,621	33,001
Europe	5,655	6,381
PRC	35,918	51,726
The United States of America	37,363	41,736
Others	458	3,391
	<u>126,015</u>	<u>136,235</u>

Specified non-current assets

	As at	As at
	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Asia (excluding the PRC)	723	30
PRC	285,600	285,500
	<u>286,323</u>	<u>285,530</u>

* Asia mainly covers Japan, Middle East, Indonesia and Hong Kong; Europe mainly covers France and Germany; and others mainly cover Canada, Africa and South America.

5 Profit before taxation

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

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
After charging		
(a) Finance cost		
Interest on borrowings	701	1,517
Interest expense on the lease liabilities	128	–
	<u>829</u>	<u>1,517</u>
(b) Other items		
Auditor's remuneration	400	400
Cost of inventories sold	104,219	104,284
Staff costs (including Directors' emoluments)		
– Directors' emoluments	1,120	1,120
– others	19,654	31,633
Depreciation	4,055	7,427
Amortisation of prepaid land lease payments	525	557
Gain on disposal of plant and equipment	687	–
	<u>687</u>	<u>–</u>
After crediting/(debiting)		
Interest income	235	263
Net exchange gain/(loss)	(5,796)	2,505
	<u>(5,796)</u>	<u>2,505</u>

**6 Income Tax****(a) Taxation in the condensed consolidated interim income statements represents:**

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	–	–
– PRC enterprise income tax	(341)	275
	<u>(341)</u>	<u>275</u>
	<u><u>(341)</u></u>	<u><u>275</u></u>

- (i) The provision for Hong Kong profits tax for the six months ended 30 June 2019 is calculated at 16.5% (six months ended 30 June 2018: 16.5%) of the estimated assessable profits for each respective period.
- (ii) The subsidiaries in the PRC are subject to a standard enterprise income tax rate of 25% for the six months ended 30 June 2019 (six months ended 30 June 2018: 25%).
- (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

As at 30 June 2019, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$132,203,000 (30 June 2018: HK\$95,770,000) 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\$104,872,000 (30 June 2018: HK\$74,693,000) will expire within 5 years and the remaining tax losses of HK\$27,331,000 (30 June 2018: HK\$21,077,000) have no expiry date under the current tax legislation.

As at 30 June 2019, the Group has unrecognised deferred tax liabilities of HK\$1,141,000 (30 June 2018: HK\$2,304,000) in relation to withholding tax on undistributed earnings of HK\$22,814,000 (30 June 2018: HK\$38,843,000) 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 (30 June 2018: Nil), and therefore, no provision for deferred tax has been made.

7 (Loss)/Earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2019 is based on the loss attributable to ordinary equity shareholders of the Company of HK\$28,643,000 (six months ended 30 June 2018: earnings of HK\$2,248,000) and the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2019 of 808,096,025 shares (six months ended 30 June 2018: 806,096,025 ordinary shares).

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earning per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$28,643,000 (six months ended 30 June 2018: earnings of HK\$2,248,000) and the weighted average number of ordinary shares (diluted) of 808,096,025 shares (six months ended 30 June 2018: 806,143,569 ordinary shares), calculated as follows:

	(Unaudited)	
	2019	2018
	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares at 30 June	808,096,025	806,096,025
Effect of dilutive potential ordinary shares arising from share options	<u>–</u>	<u>47,544</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>808,096,025</u>	<u>806,143,569</u>

8 Interim dividend

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2019 (six months ended 30 June 2018: Nil).

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

	Property, plant and equipment HK\$'000 (Unaudited)	Prepaid lease payments HK\$'000 (Unaudited)
Six month ended 30 June 2019		
Net book value as at 1 January 2019	198,320	38,748
Exchange realignment	2,252	(143)
Additions	25,418	–
Disposal	(1,561)	–
Impairment	(21,417)	–
Depreciation and amortization	(4,055)	(525)
	<u>198,957</u>	<u>38,080</u>
Net book value as at 30 June 2019		
	<u>198,957</u>	<u>38,080</u>
Six month ended 30 June 2018		
Net book value as at 1 January 2018	263,532	42,863
Exchange realignment	(2,063)	(346)
Additions	42,461	–
Disposal	(190)	–
Depreciation and amortization	(7,427)	(557)
	<u>296,313</u>	<u>41,960</u>
Net book value as at 30 June 2018	<u>296,313</u>	<u>41,960</u>

10 Goodwill

	30 June 2019 HK\$'000 (Unaudited)	31 December 2018 HK\$'000 (Audited)
Balance at beginning	49,468	51,852
Exchange realignment	(195)	(2,384)
	<u>49,273</u>	<u>49,468</u>
At the end of period	<u>49,273</u>	<u>49,468</u>
Impairment losses		
Balance at beginning and end of period	–	–

11 Trade debtors and bills receivable

The ageing analysis of trade debtors and bills receivable based on invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts as of the reporting date is as follows:

	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 3 months	30,780	31,010
3 to 6 months	5,864	3,928
6 to 9 months	4,075	3,298
9 months to 1 year	1,823	960
Over 1 year	1,678	–
	44,220	39,196

Trade debtors and bills receivable are non-interest bearing and are normally due within 30 to 90 days from the date of billing. The Group performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for doubtful debts based upon the expected collectibles of all trade and other receivables.

12 Prepayments, deposits and other receivables

	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Deposits paid for purchase of property, plant and equipment	–	31,168
Deposits paid to suppliers	39,759	13,770
Value added tax recoverable	769	8,084
Other deposits, prepayments and receivables	36,350	34,795
	76,878	87,817

The amount of the deposits and prepayments expected to be recovered or independent recognised as expense after more than one year is HK\$266,000 (2018: HK\$398,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Included in the other deposits, prepayments and receivables were amounts due from independent business partners of HK\$21,000,000 (2018: HK\$29,722,000), which are unsecured, interest free and repayable on demand.

**13 Derivative financial instruments**

	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Foreign currency forward contracts	566	–

As at 30 June 2019, the Group had the following foreign currency forward contracts denominated in United States dollar ("USD"). The major terms of these contracts were as follows:

Notional amount	Maturity date	Conversion to Renminbi ("RMB")
		with contracted exchange rate (USD: RMB)
USD1,800,000	September 2019	6.8768

The fair values of foreign currency forward contracts at the end of the reporting period are provided by the Stock Exchange of Hong Kong Limited (the "Stock Exchange"). All fair value changes were recognised in profit or loss.

14 Trade creditors and bills payable

The ageing analysis of trade creditors and bills payable (including amounts due to related parties of trading in nature) based on invoices date were as follow:

	As at	As at
	30 June	31 December
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Within 3 months	38,123	36,434
3 months to 1 year	26,517	22,999
Over 1 year	15,136	17,438
	79,776	76,871

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

15 Bank borrowings

Movements in secured bank loans is analysed as follows:

	(Unaudited) HK\$'000
Six months ended 30 June 2019	
Opening amount as at 1 January 2019	32,455
Proceeds from new secured bank loans	29,342
Repayment of secured bank loans	<u>(24,950)</u>
Closing amount as at 30 June 2019	<u><u>36,847</u></u>
Six months ended 30 June 2018	
Opening amount as at 1 January 2018	86,961
Exchange realignment	(193)
Proceeds from new secured bank loans	32,082
Repayment of secured bank loans	<u>(69,182)</u>
Closing amount as at 30 June 2018	<u><u>49,668</u></u>

All of the Group's banking facilities are subject to the fulfillment of covenants, which 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. As at 30 June 2019, none of the covenants relating to drawn down facilities had been breached (31 December 2018: Nil).

**16 Share capital****(i) Authorised and issued share capital**

	(Unaudited) 30 June 2019		(Audited) 31 December 2018	
	Number of ordinary shares of <i>HK\$0.01 each</i>	Amount <i>HK\$'000</i>	Number of ordinary shares of <i>HK\$0.01 each</i>	Amount <i>HK\$'000</i>
Authorised:				
At 1 January	3,000,000,000	30,000	3,000,000,000	30,000
Increase	—	—	—	—
At the end of the period/year	<u>3,000,000,000</u>	<u>30,000</u>	<u>3,000,000,000</u>	<u>30,000</u>
Issued and fully paid:				
At 1 January	808,096,025	8,081	806,096,025	8,061
Shares issued under share option scheme	—	—	2,000,000	20
At the end of the period/year	<u>808,096,025</u>	<u>8,081</u>	<u>808,096,025</u>	<u>8,081</u>

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

(ii) Share issued under share option scheme

No option was exercised during the period ended 30 June 2019 (30 June 2018 :Nil).

(iii) Terms of unexpired and unexercised share options at the end of the reporting period

There is no unexpired and unexercised share options as at 30 June 2019 (31 December 2018: Nil).

17 Fair Values of Financial Instruments

Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	(Unaudited)				(Audited)			
	Fair value measurements as at				Fair value measurements as at			
	30 June 2019 categorised into				31 December 2018 categorised into			
Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Assets								
Recurring fair value measurements								
Derivative financial instruments	566	-	-	566	-	-	-	

There were no transfers between levels of fair value hierarchy during the year ended 31 December 2018 and six months period ended 30 June 2019.

**18 Capital commitments**

	As at 30 June 2019 <i>HK\$'000</i> (Unaudited)	As at 31 December 2018 <i>HK\$'000</i> (Audited)
Contracted for:		
– Construction of factory building	38,713	45,181
– Acquisition of property, plant and equipment	<u>–</u>	<u>2,018</u>
	<u>38,713</u>	<u>47,199</u>

The Group had no significant capital commitments authorised but not contracted for at the balance sheet date.

19 Contingent liabilities

At 30 June 2019, the Company has contingent liabilities in respect of guarantees given for banking facilities granted to certain subsidiaries to the extent of HK\$31,000,000 (31 December 2018: HK\$179,195,000). These facilities were utilised to the extent of HK\$7,504,000 (31 December 2018: HK\$32,455,000) as at 30 June 2019.

20 Material Related Party Transactions

Key management personnel compensation:

	(Unaudited)	
	Six months ended 30 June	
	2019	2018
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term benefits	2,101	2,336
Post-employment benefits	<u>35</u>	<u>36</u>
	<u>2,136</u>	<u>2,372</u>

**21 Events after the reporting period**

On 23 July 2019, Great Ample Holdings Limited (“Vendor”), an indirect wholly-owned subsidiary of the Company, and Jumbo Holding Development Limited (“Purchaser”) entered into the Disposal Agreement, pursuant to which the Vendor has agreed to sell and the Purchaser has agreed to acquire the entire issued share capital of the Glory Skill Investments Limited (“Glory Skill”) and its subsidiary and the aggregate amount of HK\$83,815,000 outstanding and owed by Glory Skill to the Vendor for the total consideration of HK\$84,815,000.

The transaction was completed on 23 August 2019.



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The overall business environment in the PRC as a result of the slowdown in China's economy due to geopolitical tensions has left the Group's operation remained challenging. The furniture business of the Group continued to suffer from low consumer sentiment, competition from different distribution channels in domestic markets, imbalance of supply and demand, climbing raw material costs and operational costs.

The Group has been continuously assessing the current business strategy, with the aim to streamline its business and enhance overall performance and prospects. Currently, the Group has outsourced all classic furniture production and a substantial portion of its modern furniture to other manufacturers to enhance production efficiency and flexibility of the Group. The Group places its effort in designing, branding, quality control and enhancing its distribution channels.

FINANCIAL REVIEW

Turnover

The Group's turnover decreased by approximately 7.5% from about HK\$136.2 million for the six months ended 30 June 2018 to HK\$126.0 million for the six months ended 30 June 2019.

The decrease in the Group's turnover was mainly due to the decrease in the domestic sales during the period was a result of the low sentiment in the PRC.

Gross Profit

During the period under review, the Group continued to face the challenges of high labour and raw material costs: in addition, due to the US-China trade tension, tariff was imposed by the US on goods imported from China. In order to keep the competitiveness of our goods, discount was given to our customer. As a result, the Group's gross profit margin was decreased to 17.3% (six months ended 30 June 2018: 23.5%).

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK\$13.6 million for the six months ended 30 June 2019, against about HK\$13.8 million for the six months ended 30 June 2018. The selling and distribution expenses remained stable as a result of the continued cost control at all levels.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$39.0 million for the six months ended 30 June 2019, against about HK\$15.3 million for the six months ended 30 June 2018. The increase in administrative expenses during the period under review was mainly attributable to the expenses of impairment of the Group's non-current assets, the costs associated with restructuring the Group's business units, as well as the foreign exchange loss arising from conversion of the foreign currencies to Hong Kong dollars, the functional currency of the Group.

Loss for the Period

Loss attributable to equity shareholders of the Company for the six months ended 30 June 2019 was approximately HK\$28.6 million as compared to profit attributable to equity shareholders of the Company of approximately HK\$4.2 million for the corresponding period last year.

PROSPECTS

The rising geopolitical tensions place great uncertainty in the second half of 2019. The impact of the tensions on the world's economy is difficult to assess.

Looking ahead, we see the second half of 2019 as another period of challenge, climbing raw material costs, increasing governmental measures and rising manufacturing costs in Mainland China as well as the exchange rate movement in Renminbi poses challenges to the Group.

While challenging times still lay ahead, the Group will continue to implement its business strategies with a view to long term flexibility and profitability, as well as sharpening its competitive edges.

The Group will commit resources to revitalize its corporate brand "Hing Lee Myriad Home 興利萬家". Besides, the Group will place its effort in designing, branding, quality control and enhancing its distribution channels.

Meanwhile, the Group will continue to seek new collaboration partners and open more channels in order to widen its existing business lines, as well as seek new business opportunities, so as to sustain long-term growth and reward its shareholders, employees and customers for their support.



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\$39.1 million as at 30 June 2019 (31 December 2018: HK\$23.9 million).

As at 30 June 2019, the Group's bank borrowings amounted to HK\$36.8 million (31 December 2018: HK\$32.5 million). As at the same date, the gearing ratio (total debt/total equity) was 0.5 (31 December 2018: 0.4).

As at 30 June 2019, the current ratio (current assets/current liabilities) was 1.1 (31 December 2018: 1.3) and the net current assets amounted to HK\$20.8 million (31 December 2018: HK\$49.0 million).

The ageing analysis of trade creditors and bills payable and the movement of bank borrowings are set out in Notes 14 and 15 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. Apart from holding foreign currency forward contracts as disclosed in note 13 to the financial statements of this interim report, the Group does not hold or issue material derivative financial instruments for trading purposes or for hedging against fluctuations in foreign exchange rates.

CHARGE OF ASSETS

As at 30 June 2019, the Group's banking facilities were secured by (i) a letter of undertaking over the Group's building outside Hong Kong; and (ii) legal charges over the Group's medium-term leasehold land outside Hong Kong.

EMPLOYEES

As at 30 June 2019, the Group employed approximately 350 employees (30 June 2018: approximately 790). Total staff cost, including Directors' emoluments, amounted to HK\$20.8 million (30 June 2018: HK\$32.8 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 for the period ended 30 June 2019 (six months ended 30 June 2018: Nil).

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

During the 6-month period ended 30 June 2019, 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 2019, 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 and the underlying 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>)	Beneficial owner and Interest of a controlled corporation	280,474,777	34.71%
Mr. Cheung Kong Cheung (<i>note 2</i>)	Beneficial owner and Interest of a controlled corporation	62,040,465	7.68%
Mr. Sun Jian	Beneficial owner	2,000,000	0.25%
Mr. Kong Hing Ki	Beneficial owner	900,000	0.11%

Notes:

1. The 21,568,000 Shares were held by Mr. Sung Kai Hing and 258,906,777 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 7,200,000 Shares were held by Mr. Cheung Kong Cheung and 54,840,465 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.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2019, 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
King Right	Beneficial owner	258,906,777	32.04	1
Ms. Wong Wai King	Family interests	280,474,777	34.71	1
United Sino	Beneficial owner	54,840,465	6.79	2
Ms. Li Xin	Family interests	62,040,465	7.68	2
Golden Sunday Limited ("Golden Sunday")	Beneficial owner	54,840,465	6.79	3
Mr. Chan Kwok Kin	Beneficial owner and Interest of a controlled corporation	62,040,465	7.68	3
Ms. Ho Fung Ying	Family interests	62,040,465	7.68	3
Top Right Trading Limited ("Top Right")	Beneficial owner	51,586,293	6.38	4
Mr. Huang Wei Ye	Beneficial owner and Interest of a controlled corporation	58,936,293	7.29	4
Ms. Ye Jian Qun	Family interests	58,936,293	7.29	4

Notes:

- 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.
- 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 Kong Cheung is interested by virtue of the SFO.
- Golden Sunday is a company beneficially wholly-owned by Mr. Chan Kwok Kin. By virtue of the SFO, Mr. Chan Kwok Kin 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 Kwok Kin and is deemed to be interested in the same parcel of Shares in which Mr. Chan Kwok Kin is interested by virtue of the SFO.



4. 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 Wei Ye 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 SCHEME

The Company adopted a share option scheme by the written resolutions of the shareholders on 29 May 2009 (the “Old Scheme”), which expired on 28 May 2019. The Company adopted a new share option scheme (the “New Scheme”) at its annual general meeting on 17 May 2019. The purpose of the share option scheme is to enable the Company to grant options to full-time or part-time employees, directors, supplier, service provider 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. There is no share option movements nor any outstanding share options under both the Old Scheme and the New Scheme during the period under review.

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 2019, 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 long-term 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 has set up an audit committee (the "Audit Committee") 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 2019.

REMUNERATION COMMITTEE

The Company has set up a remuneration committee 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 has set up a nomination committee 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 2019 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, 30 August 2019