



2020

INTERIM REPORT



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



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	20
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

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 2020 (the “Period”) with comparative figures for the corresponding period in 2019.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	Notes	(Unaudited)	
		Six months ended 30 June	
		2020	2019
		HK\$'000	HK\$'000
Turnover	3	86,333	126,015
Cost of sales		(76,898)	(104,219)
		<hr/>	<hr/>
Gross profit		9,435	21,796
Other net income		1,770	2,626
Selling and distribution expenses		(4,141)	(13,550)
Administrative expenses		(15,380)	(39,027)
		<hr/>	<hr/>
Loss from operations		(8,316)	(28,155)
Finance costs		(836)	(829)
		<hr/>	<hr/>
Loss before taxation	4	(9,152)	(28,984)
Income tax	5	34	341
		<hr/>	<hr/>
Loss for the period		(9,118)	(28,643)
		<hr/> <hr/>	<hr/> <hr/>
Attributable to:			
Equity shareholders of the Company		(9,118)	(28,643)
		<hr/> <hr/>	<hr/> <hr/>
		<i>(HK cents)</i>	<i>(HK cents)</i>
(Loss) per share attributable to the equity holders of the Company			
– basic	6	(1.13)	(3.54)
– diluted	6	(1.13)	(3.54)
		<hr/>	<hr/>
		HK\$'000	HK\$'000
Dividend	7	–	–
		<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 STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss for the period	(9,118)	(28,643)
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries (after tax)	<u>(1,473)</u>	<u>151</u>
Total comprehensive loss for the period	<u>(10,591)</u>	<u>(28,492)</u>
Total comprehensive loss attributable to – equity shareholders of the Company	<u>(10,591)</u>	<u>(28,492)</u>

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 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
	Notes		
Non-current assets			
Property, plant and equipment	8	107,538	112,879
Right-of use asset	9	21,019	24,935
		<u>128,557</u>	<u>137,814</u>
Current assets			
Inventories		15,370	10,739
Trade debtors and bills receivable	10	114,094	118,437
Pledged bank deposits		3,371	1,274
Cash and cash equivalents		47,950	59,749
		<u>180,785</u>	<u>190,199</u>
Current liabilities			
Contract liabilities		202	303
Trade creditors and bills payable	11	56,620	55,125
Other payables and accrued charges		14,125	20,762
Bank loans	12	35,032	34,545
Lease liabilities		2,021	5,078
Current tax payable		–	14
		<u>108,000</u>	<u>115,827</u>
Net current assets		<u>72,785</u>	<u>74,372</u>
Total assets less current liabilities		<u>201,342</u>	<u>212,186</u>
Non-current liabilities			
Lease liabilities		215	468
Net assets		<u>201,127</u>	<u>211,718</u>
Capital and reserves			
Share capital	13	8,081	8,081
Reserves		193,046	203,637
Total equity		<u>201,127</u>	<u>211,718</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	(Unaudited)							Total HK\$'000
	Attributable to equity shareholders of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Merger reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	
At 1 January 2019	8,061	176,627	22,515	10,384	25,430	(24,862)	116,383	334,538
Loss for the period	-	-	-	-	-	-	(28,643)	(28,643)
Other comprehensive income	-	-	151	-	-	-	-	151
Total comprehensive loss	-	-	151	-	-	-	(28,643)	(28,492)
At 30 June 2019	<u>8,061</u>	<u>176,627</u>	<u>22,666</u>	<u>10,384</u>	<u>25,430</u>	<u>(24,862)</u>	<u>87,740</u>	<u>306,046</u>
At 1 January 2020	8,081	176,627	5,153	5,541	7,445	(24,862)	33,733	211,718
Loss for the period	-	-	-	-	-	-	(9,118)	(9,118)
Other comprehensive loss	-	-	(1,473)	-	-	-	-	(1,473)
Total comprehensive loss for the period	-	-	(1,473)	-	-	-	(9,118)	(10,591)
At 30 June 2020	<u>8,081</u>	<u>176,627</u>	<u>3,680</u>	<u>5,541</u>	<u>7,445</u>	<u>(24,862)</u>	<u>24,615</u>	<u>201,127</u>

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

CONDENSED CONSOLIDATED INTERIM CASH FLOWS STATEMENT

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from (used in) operating activities	(6,763)	23,541
Net cash used in investing activities	(2,216)	(9,281)
Net cash generated from/(used in) financing activities	<u>(2,284)</u>	<u>933</u>
Net increase/(decrease) in cash and cash equivalents	(11,263)	15,193
Effect of foreign exchange rate changes	(536)	(18)
Cash and cash equivalents at the beginning of the period	<u>59,749</u>	<u>23,890</u>
Cash and cash equivalents at the end of the period	<u>47,950</u>	<u>39,065</u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u>47,950</u>	<u>39,065</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

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, licensing of its own brands and product designs and provision of promotional services.

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 18 August 2020.

The condensed consolidated interim financial statements have not been audited, but have been reviewed by the audit committee of the Company.

2 Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2020 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 2019, except for the adoption of new Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA as disclosed below:

Except for the adoption of the following new HKFRSs issued by the HKICPA effective for accounting periods beginning on or after 1 January 2020:

Amendments to HKFRS 3	Definition of a business
Amendments to HKFRS 1 and HKAS 8	Definition of material

The application of the new Amendments had no material impact on the Group’s financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

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 2019 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 HKFRSs.

New or revised HKFRS that have been issued but are not yet effective

The following new or revised HKFRS, potentially relevant to the Group's condensed consolidated interim financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

HKFRS 17	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

² The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed.

The Directors of the Company are currently assessing the possible impact of these new or revised standards on the Group's results and financial position but is not yet in a position to determine whether they will have a significant impact on the Group's results of operations and financial position.

3 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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
Asia (excluding the People's Republic of China ("PRC"))*	61,771	46,621
Europe	6,390	5,655
PRC	8,842	35,918
The United States of America	8,495	37,363
Others	835	458
	<u>86,333</u>	<u>126,015</u>

Specified non-current assets

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Asia (excluding the PRC)	714	962
PRC	<u>127,843</u>	<u>136,852</u>
	<u>128,557</u>	<u>137,814</u>

* Asia mainly covers Japan, Middle East and Southeast Asia, Europe mainly covers, France and Germany and others mainly cover Canada, South America and Australia.

4 Loss before taxation

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

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
After charging		
(a) Finance cost		
Interest on borrowings	724	701
Interest expense on the lease liabilities	112	128
	<u>836</u>	<u>829</u>
(b) Other items		
Auditor's remuneration	400	400
Cost of inventories sold	76,898	104,219
Staff costs (including Directors' emoluments)		
– Directors' emoluments	1,120	1,120
– Others	7,171	19,654
Depreciation of		
– Property, plant and equipment	5,149	4,055
– Right-of-use assets	3,454	3,965
Gain on disposal of plant and equipment	–	687
	<u>215</u>	<u>235</u>
After crediting/(debiting)		
Interest income	215	235
Net exchange gain/(loss)	<u>(1,180)</u>	<u>(5,796)</u>

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

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Current income tax		
– PRC enterprise income tax	<u>(34)</u>	<u>(341)</u>
	<u>(34)</u>	<u>(341)</u>

- (i) Pursuant to the income tax rules and regulations, the Group is not subject to income tax in Bermuda and the BVI.
- (ii) No provision for Hong Kong Profits Tax has been made (six months ended 30 June 2019: HK\$Nil) as the Company and subsidiaries incorporated or domiciled in Hong Kong have either no assessable profits or sustained tax losses for taxation purposes during the period.
- (iii) The subsidiaries in the PRC are subject to a standard enterprise income tax rate of 25% for the six months ended 30 June 2020 (six months ended 30 June 2019: 25%).
- (b) Deferred taxation**

As at 30 June 2020, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$31,028,000 (30 June 2019: HK\$132,203,000) 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\$1,000 (30 June 2019: HK\$104,872,000) will expire within 5 years and the remaining tax losses of HK\$31,027,000 (30 June 2019: HK\$27,331,000) have no expiry date under the current tax legislation.

As at 30 June 2020, the Group has unrecognised deferred tax liabilities of HK\$726,000 (30 June 2019: HK\$1,141,000) in relation to withholding tax on undistributed earnings of HK\$14,525,000 (30 June 2019: HK\$22,814,000) 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 2019: Nil), and therefore, no provision for deferred tax has been made.

6 (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 2020 is based on the loss attributable to ordinary equity shareholders of the Company of HK\$9,118,000 (six months ended 30 June 2019: loss of HK\$28,643,000) and the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2020 of 808,096,025 shares (six months ended 30 June 2019: 808,096,025 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\$9,118,000 (six months ended 30 June 2019: loss of HK\$28,643,000) and the weighted average number of ordinary shares (diluted) of 808,096,025 shares (six months ended 30 June 2019: 808,096,025 ordinary shares), calculated as follows:

	(Unaudited)	
	2020	2019
	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares at 30 June	808,096,025	808,096,025
Effect of dilutive potential ordinary shares arising from share options	—	—
Weighted average number of ordinary shares for the purpose of calculating diluted loss per share	<u>808,096,025</u>	<u>808,096,025</u>

7 Interim dividend

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2020 (six months ended 30 June 2019: Nil).

8 **Property, plant and equipment**

	Property, plant and equipment HK\$'000 (Unaudited)
Six month ended 30 June 2020	
Net book value as at 1 January 2020	112,879
Exchange realignment	(192)
Additions	-
Disposal	-
Depreciation and amortization	<u>(5,149)</u>
Net book value as at 30 June 2020	<u>107,538</u>
Six month ended 30 June 2019	
Net book value as at 1 January 2019	198,320
Exchange realignment	2,252
Additions	25,418
Disposal	(1,561)
Impairment	(21,417)
Depreciation and amortization	<u>(4,055)</u>
Net book value as at 30 June 2019	<u>198,957</u>

9 Right-of-use assets

	Properties <i>HK\$'000</i> (Unaudited)	Land use rights <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six month ended 30 June 2020			
Net book value as at 1 January 2020	5,451	19,484	24,935
Exchange realignment	(87)	(375)	(462)
Depreciation	(3,197)	(257)	(3,454)
	<u>2,167</u>	<u>18,852</u>	<u>21,019</u>
Net book value as at 30 June 2020	<u><u>2,167</u></u>	<u><u>18,852</u></u>	<u><u>21,019</u></u>
Six month ended 30 June 2019			
Net book value as at 1 January 2019	6,648	38,748	45,396
Exchange realignment	38	(143)	(105)
Depreciation	(3,440)	(525)	(3,965)
	<u>3,246</u>	<u>38,080</u>	<u>41,326</u>
Net book value as at 30 June 2019	<u><u>3,246</u></u>	<u><u>38,080</u></u>	<u><u>41,326</u></u>

10 Trade and other receivables

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Trade receivables	26,887	39,935
Less: impairment allowance	(892)	(2,260)
	25,995	37,675
Deposits paid for purchase of property, plant and equipment	15,075	2,362
Deposits paid to suppliers	55,045	59,189
Value added tax recoverable	1,684	2,323
Other deposits, prepayments and receivables	16,295	16,888
	88,099	80,762
	114,094	118,437

The amount of deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK\$168,000 (2019: HK\$359,000). 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\$11,236,000 (2019: HK\$12,179,000), which are unsecured, interest free and repayable on demand.

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	30 June 2020 HK\$'000 (Unaudited)	31 December 2019 HK\$'000 (Audited)
Within 3 months	16,873	33,243
3 to 6 months	150	1,489
6 to 9 months	5,256	2,401
9 months to 1 year	3,716	542
	25,995	37,675

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.

11 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 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Within 3 months	34,559	35,731
3 months to 1 year	10,784	15,721
Over 1 year	11,277	3,673
	<u>56,620</u>	<u>55,125</u>

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

12 Bank loans

Movements in secured bank loans is analysed as follows:

	(Unaudited) HK\$'000
Six months ended 30 June 2020	
Opening amount as at 1 January 2020	34,545
Exchange realignment	(561)
Proceeds from new secured bank loans	35,032
Repayment of secured bank loans	<u>(33,984)</u>
Closing amount as at 30 June 2020	<u>35,032</u>
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>36,847</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 2020, none of the covenants relating to drawn down facilities had been breached (31 December 2019: Nil).

13 Share capital

(i) Authorised and issued share capital

	(Unaudited) 30 June 2020		(Audited) 31 December 2019	
	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
Authorised:				
At 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	808,096,025	8,081
Shares issued under share option scheme	—	—	—	—
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 2020 (30 June 2019 :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 2020 (31 December 2019: Nil).

14 Capital commitments

	As at 30 June 2020 HK\$'000 (Unaudited)	As at 31 December 2019 HK\$'000 (Audited)
Contracted for:		
– Acquisition of property, plant and equipment	<u>1,774</u>	<u>1,774</u>
	<u>1,774</u>	<u>1,774</u>

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

15 Contingent liabilities

At 30 June 2020, the Company does not have any contingent liabilities in respect of guarantees given for banking facilities granted to certain subsidiaries (31 December 2019: HK\$89,000,000). These facilities were utilised to the extent of HK\$Nil as at 30 June 2020 (31 December 2019: HK\$5,520,000).

16 Material Related Party Transactions

Key management personnel compensation:

	(Unaudited)	
	Six months ended 30 June	
	2020	2019
	HK\$'000	HK\$'000
Salaries and other short-term benefits	1,712	2,101
Post-employment benefits	<u>34</u>	<u>35</u>
	<u>1,746</u>	<u>2,136</u>

None of the related party transactions as disclosed above falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

17 Events after the reporting period

Up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the six months ended 30 June 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the six months ended 30 June 2020, the business of the Group had been negatively impacted by various factors. These factors include the China-USA trade war, the tariff imposed by the U.S. Government on the goods imported from China, and the outbreak of Coronavirus disease (“COVID-19 outbreak”) in early 2020. Under the unfavourable business environment, the potential and existing customers of the Group have slowed down their business activities and decided to further delay their business expansion plan as the demand for durable goods is expected to be low for some time. As a result, a number of the Group’s orders have been delayed, and new products development are also delayed.

To overcome these difficulties, the Group has been continuously assessing the current business strategy, with the aim to streamline its business and enhance overall performance and prospects. The Group has also taken several measures including (i) making use of video conferencing software to follow up with customers; (ii) cooperating with new business partners for expansion of product base; (iii) seeking for new business opportunity by utilizing the existing resources of the Group, in particular, our strong design, promotion and brand development capabilities; and (iv) maintaining an efficient and lean cost structure with stringent control on fixed cost.

As a result of the Group’s effort, the Group managed a design and promotional project by providing professional services such as layout design, fitting and display of products.

FINANCIAL REVIEW

Turnover

The Group’s turnover decreased by approximately 31.5% from about HK\$126.0 million for the six months ended 30 June 2019 to HK\$86.3 million for the six months ended 30 June 2020.

The decrease in the Group’s turnover was a result of the impact of the COVID-19 outbreak since the beginning of 2020, which has caused disruption to the businesses operation of the Group, as well as our customers. In addition, the cautious slowdown in customers’ business due to recent downturn of the economy has led to a decrease in demand for the Group’s products.

Gross Profit

During the period under review, due to the COVID-19 outbreak, the production efficiency was reduced. In addition, discount was given to customers. As a result, the Group’s gross profit margin was decreased to 10.9% (six months ended 30 June 2019: 17.3%).

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK\$4.1 million for the six months ended 30 June 2020, against about HK\$13.6 million for the six months ended 30 June 2019. The selling and distribution expenses decreased as a result of the continued cost control at all levels as well as the low level of marketing activities.

Administrative Expenses

During the period under review, the Group had specifically written off the trade receivables of approximately HK\$2,578,000 that related to Pier 1 Imports, Inc. ("Pier 1"), one of the Group's major customers for upholstered furniture products. Pier 1 and its subsidiaries have commenced voluntary chapter 11 proceedings in the U.S. Bankruptcy Court for the Eastern District of Virginia, as disclosed in the announcement of the Company on 25 February 2020.

The Group's administrative expenses amounted to approximately HK\$15.4 million for the six months ended 30 June 2020, against about HK\$39.0 million for the six months ended 30 June 2019. The decrease in administrative expenses during the period under review was mainly attributable to the absence of the expenses of impairment of the Group's non-current assets and the costs associated with restructuring the Group's business units recorded during the period ended 30 June 2019.

Loss for the Period

Loss attributable to equity shareholders of the Company for the six months ended 30 June 2020 was approximately HK\$9.1 million as compared to loss attributable to equity shareholders of the Company of approximately HK\$28.6 million for the corresponding period last year.

PROSPECTS

As the development of the epidemic of COVID-19 outbreak remains to be highly unpredictable, the extent of its impact on the economy of China and the world is uncertain. Also, the haze of uncertainties stem from the China-US trade war. The industry in which the Group operates is directly or indirectly affected. Besides, various travel restrictions and lockdown measures remain enacted to fight against the pandemic, which impede our marketing and promotional works, resulting in a slowdown of our products development. The management is of the view that the overall tough business environment may persist for some time.

The Group has been actively confronting the challenges, while seeking various opportunities simultaneously. Furthermore, we will explore the expansion of our businesses and commercial models to diversify our risk exposure.

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\$48.0 million as at 30 June 2020 (31 December 2019: HK\$59.7 million).

As at 30 June 2020, the Group's bank borrowings amounted to HK\$35.0 million (31 December 2019: HK\$34.5 million). As at the same date, the gearing ratio (total debt/total equity) was 0.5 (31 December 2019: 0.5).

As at 30 June 2020, the current ratio (current assets/current liabilities) was 1.7 (31 December 2019: 1.6) and the net current assets amounted to HK\$72.8 million (31 December 2019: HK\$74.4 million).

The ageing analysis of trade creditors and bills payable and the movement of bank borrowings are set out in Notes 11 and 12 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 material 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 2020, 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 2020, the Group employed approximately 200 employees (30 June 2019: approximately 350). Total staff cost, including Directors' emoluments, amounted to HK\$8.3 million (30 June 2019: HK\$20.8 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 2020 (six months ended 30 June 2019: Nil).

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

During the six months period ended 30 June 2020, 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 2020, 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	287,992,777	35.64%
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 29,086,000 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 2020, 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	287,992,777	35.64	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, there was no share option outstanding before the expiration of the Old Scheme. The Company adopted a new share option scheme (the “New Scheme”) at its annual general meeting on 17 May 2019. The purpose of the New 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 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 2020, 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 2020.

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 2020 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, 18 August 2020