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

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

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

INTERIM RESULTS

The board of directors (the “Board”) 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 2010 with comparative figures for the corresponding period in 2009.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		(Unaudited)	
		Six months ended	
		30 June	
	Notes	2010 HK\$'000	2009 HK\$'000
Turnover	3	212,873	186,666
Cost of sales		(165,124)	(151,473)
Gross profit		47,749	35,193
Other revenue		803	444
Selling and distribution expenses		(18,211)	(14,290)
Administrative expenses		(13,524)	(11,775)
Profit from operations		16,817	9,572
Finance costs		(279)	–
Profit before taxation	5	16,538	9,572
Taxation	6	(3,138)	(1,019)
Profit for the period		13,400	8,553
Attributable to:			
Equity holders of the Company		13,016	8,335
Minority interests		384	218
		13,400	8,553
Earnings per share for the profit attributable to the equity holders of the Company (HK cents)	7		
– basic		6.51	5.47
– diluted		6.39	5.47
		HK\$'000	HK\$'000
Dividend	8	3,400	2,100

CONDENSED CONSOLIDATED INTERIM FINANCIAL POSITION

		As at 30 June 2010 HK\$'000 (Unaudited)	As at 31 December 2009 HK\$'000 (Audited)
	Note		
Non-current assets			
Property, plant and equipment	9	142,145	132,012
Prepaid lease payments	9	47,829	47,906
Available-for-sale investments	10	6,742	8,262
		<u>196,716</u>	<u>188,180</u>
Current assets			
Prepaid lease payments		1,040	1,030
Inventories		102,432	68,662
Trade receivables and bills receivable	11	37,606	27,661
Prepayments, deposits and other receivables		29,279	27,207
Restricted bank deposits		4,585	14,188
Cash and cash equivalents		74,975	86,773
		<u>249,917</u>	<u>225,521</u>
Current liabilities			
Trade payables	12	85,298	48,052
Other payables and accrued charges		28,545	41,715
Current portion of secured bank loans	13	21,687	16,850
Current taxation		860	949
		<u>136,390</u>	<u>107,566</u>
Net current assets		<u>113,527</u>	<u>117,955</u>
Total assets less current liabilities		<u>310,243</u>	<u>306,135</u>
Non-current liabilities			
Non-current portion of secured bank loans	13	35,152	42,518
Net assets		<u><u>275,091</u></u>	<u><u>263,617</u></u>
Equity			
Share capital	14	2,000	2,000
Reserves		267,443	256,400
Total equity attributable to equity shareholders of the Company		<u>269,443</u>	<u>258,400</u>
Minority interests		5,648	5,217
Total equity		<u><u>275,091</u></u>	<u><u>263,617</u></u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited)	
	Six months ended	
	30 June	
	2010	2009
	HK\$'000	HK\$'000
Profit for the period	13,400	8,553
Other comprehensive income		
Fair value gains/(loss) on available-for-sale investment, net of tax	(1,520)	2,422
Currency translation differences	1,867	—
	<hr/>	<hr/>
Total comprehensive income for the period	13,747	10,975
	<hr/>	<hr/>
Total comprehensive income attributable to		
– equity holders of the Company	13,316	10,757
– minority interest	431	218
	<hr/>	<hr/>
	13,747	10,975
	<hr/>	<hr/>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Unaudited)

Attributable to equity holders of the Company

Note	Attributable to equity holders of the Company										Total equity
	Share capital	Share premium	Exchange reserve	Statutory reserve fund	Merger reserve	Fair value reserve	Share option reserve	Retained profits	Total	Minority interests	
	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 2009	387	44,350	20,553	5,750	25,430	-	5,110	103,429	205,009	4,345	209,354
Profit for the period	-	-	-	-	-	-	-	8,335	8,335	218	8,553
Fair value change on available for sale investment recognised directly in equity	-	-	-	-	-	2,422	-	-	2,422	-	2,422
Total comprehensive income for the period ended 30 June 2009	-	-	-	-	-	2,422	-	8,335	10,757	218	10,975
Equity-settled shares option arrangements	-	-	-	-	-	-	233	-	233	-	233
Capitalization issue	1,113	(1,113)	-	-	-	-	-	-	-	-	-
Shares issued under placing and public offer	500	31,897	-	-	-	-	-	-	32,397	-	32,397
Transfer of reserve	-	-	-	120	-	-	-	(120)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	-	-	-
	1,613	30,784	-	120	-	-	233	(120)	32,630	-	32,630
At 30 June 2009	2,000	75,134	20,553	5,870	25,430	2,422	5,343	111,644	248,396	4,563	252,959
At 1 January 2010	2,000	75,134	20,817	7,074	25,430	3,604	5,576	118,765	258,400	5,217	263,617
Profit for the period	-	-	-	-	-	-	-	13,016	13,016	384	13,400
Fair value change on available for sale investment recognised directly in equity	-	-	-	-	-	(1,520)	-	-	(1,520)	-	(1,520)
Currency transaction differences	-	-	1,820	-	-	-	-	-	1,820	47	1,867
Total comprehensive income for the period ended 30 June 2010	-	-	1,820	-	-	(1,520)	-	13,016	13,316	431	13,747
Equity-settled shares option arrangements	-	-	-	-	-	-	527	-	527	-	527
Transfer of reserve	-	-	-	-	-	-	-	-	-	-	-
Dividends relating to 2009 paid in June 2010	-	-	-	-	-	-	-	(2,800)	(2,800)	-	(2,800)
	-	-	-	-	-	-	527	(2,800)	(2,273)	-	(2,273)
At 30 June 2010	2,000	75,134	22,637	7,074	25,430	2,084	6,103	128,928	269,443	5,648	275,091

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended	
	30 June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(2,104)	(21,102)
Net cash used in investing activities	(4,149)	(30,184)
Net cash generated from/(used in) financing activities	<u>(5,878)</u>	<u>55,766</u>
Net increase (decrease) in cash and cash equivalents	(12,131)	4,480
Effect of foreign exchange rate changes	333	—
Cash and cash equivalents at the beginning of the period	<u>86,773</u>	<u>88,208</u>
Cash and cash equivalents at the end of the period	<u><u>74,975</u></u>	<u><u>92,688</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u><u>74,975</u></u>	<u><u>92,688</u></u>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 and 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 2 August 2010.

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 2010 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 Accounts are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2009.

In the current period, the Group has adopted all the new or revised Hong Kong Financial Reporting Standards (“HKFRSs”): that are relevant to its operations and effective for the current accounting period of the Group. The adoption of these new or revised HKFRSs had no material effect on the reported results or financial position of the Group for both the current and prior reporting periods.

The following new or revised HKFRSs, potentially relevant to the Group, have been issued but are not yet effective and have not been early adopted by the Group.

HK(IFRIC)	Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments ¹
HKAS 24 (Revised)	Related Party Disclosures ²
HKFRS 9	Financial Instruments ³

¹ Effective for annual periods beginning on or after 1 July 2010

² Effective for annual periods beginning on or after 1 January 2011

³ Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the potential impact of these new or revised HKFRSs in the period of their initial application

3 SEGMENT REPORTING

For management purposes, the Group is organised into business units based on their products and services offered. Two reportable operating segments were identified as follows:

Home furniture:	Design, manufacture, sale and marketing of home furniture and bed mattresses
Branded distribution:	Licensing of own brand names

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss and is measured consistently with operating profit or loss in the consolidated financial statements.

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

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

(a) Operating segments

The following tables presents revenue and profit information regarding the Group's operating segments for the unaudited six months ended 30 June 2010 and 30 June 2009, respectively:

	2010				2009			
	Home	Branded	Unallocated	Consolidated	Home	Branded	Unallocated	Consolidated
	furniture	distribution			furniture	distribution		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	208,334	4,539	-	212,873	179,972	6,694	-	186,666
Interest income	-	-	214	214	-	-	61	61
Interest expense	-	-	279	279	-	-	-	-
Depreciation and amortization	5,232	-	-	5,232	3,082	-	-	3,082
Reportable segment profit	14,415	4,534	-	18,949	3,371	6,688	-	10,059

The following table presents segment assets of the Group's operating segments as at 30 June 2010 and 31 December 2009.

	2010				2009			
	Home	Branded	Unallocated	Consolidated	Home	Branded	Unallocated	Consolidated
	furniture	distribution			furniture	distribution		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	411,914	8,740	25,979	446,633	377,421	5,369	30,911	413,701

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

		(Unaudited)	
		Six months ended	
		30 June	
		2010	2009
		HK\$'000	HK\$'000
Revenues			
Reportable segment revenue – Consolidated turnover		212,873	186,666
Profit or loss			
Reportable segment profit		18,949	10,059
Other income		803	444
Unallocated amounts:			
Interest expense		(279)	–
Other head office and corporate expenses		(2,935)	(931)
Consolidated profit before taxation		16,538	9,572
		As at	
		30 June	31 December
		2010	2009
		HK\$'000	HK\$'000
Assets			
Total assets for reportable segments		420,654	382,790
Available-for sales investments *		6,742	8,262
Unallocated head office and corporate assets		19,237	22,649
Consolidated total assets		446,633	413,701

* 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 noncurrent assets is based on the physical location of the assets.

Revenue from external customers

	(Unaudited)	
	Six months ended	
	30 June	
	2010	2009
	HK\$'000	HK\$'000
Asia (excluding the People's Republic of China ("PRC"))*	64,567	49,749
Europe	9,426	14,231
PRC	133,623	108,027
Others	5,257	14,659
	212,873	186,666

Specified non-current assets

	As at	As at
	30 June	31 December
	2010	2009
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Asia (excluding the People's Republic of China ("PRC"))*	1,626	1,143
Europe	—	—
PRC	188,348	178,775
Others	—	—
	189,974	179,918

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

4 EQUITY SETTLED SHARE-BASED PAYMENT EXPENSE FOR SHARE OPTIONS GRANTED

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

	Number of options	Exercise price HK\$	Exercise period
Options granted to	2,997,340	1.0647	23/12/2009 to 30/12/2016
Directors of	374,667	1.0647	23/12/2009 to 19/06/2017
the Company:	187,334	1.0647	20/06/2010 to 19/06/2017
	187,334	1.0647	20/06/2011 to 19/06/2017
	450,000 [#]	1.4220	23/04/2011 to 22/04/2013
	450,000 [#]	1.4220	01/01/2012 to 22/04/2013
Options granted to	9,741,350*	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
Total number of shares subject to the share options	26,986,695		

* Included share options to subscribe for a total of 2,997,340 ordinary shares of HK\$0.01 each of the Company granted to Mr. Chan Kwok Kin and Mr. Huang Wei Ye, entitling each of them to subscribe for 1,498,670 shares respectively. Both of them resigned as Directors of the Company on 29 May 2009. However, they remain as members of the senior management of the Group.

[#] 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.

(b) Fair value of share options

For the six months ended 30 June 2010, the fair value of share options granted of HK\$525,753 (six months ended 30 June 2009: HK\$233,227) is recognised as staff cost with a corresponding increase in employee share-based capital reserve.

5 PROFIT BEFORE TAXATION

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

	(Unaudited)	
	Six months ended	
	30 June	
	2010	2009
	HK\$'000	HK\$'000
After charging		
Auditor's remuneration	400	400
Cost of inventories sold	165,124	151,473
Staff costs (including Directors' emoluments)		
– Directors' emoluments	1,319	2,036
– others	33,118	16,781
Depreciation	4,712	2,569
Amortisation of prepaid land lease payments	520	514
Impairment for inventories	–	2,329
Loss on disposal of fixed assets	341	–
Net exchange loss (gain)	(104)	205
	<u> </u>	<u> </u>
After crediting		
Interest income	214	61
Reversal of impairment for doubtful debts	–	149
	<u> </u>	<u> </u>

6 TAXATION

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

	(Unaudited)	
	Six months ended	
	30 June	
	2010	2009
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	–	–
– PRC enterprise income tax	3,138	1,019
	<u> </u>	<u> </u>
	<u>3,138</u>	<u>1,019</u>

- (i) Pursuant to the income tax rules and regulations, the Group is not subject to income tax in Bermuda and the British Virgin Islands.
- (ii) The provision for Hong Kong profits tax for the six months ended 30 June 2010 is calculated at 16.5% (six months ended 30 June 2009: 16.5%) of the estimated assessable profits for each respective period.

- (iii) Hing Lee Ideas Limited is subject to Company Income Tax in Malaysia. No provision is made during the six months ended 30 June 2010 and 2009 as it has been dormant since its incorporation.
- (iv) With the New Enterprise Income Tax Law (the “New EIT Law”) becoming effective on 1 January 2008, all enterprises in the PRC are subject to a standard enterprise income tax rate of 25%.

However, there is a transitional period for enterprises which are currently entitled to preferential tax treatments granted by relevant tax authorities. In accordance with「國務院關於實施企業所得稅過渡優惠政策的通知」(the Notice of the State Council on the Implementation of the Enterprise Income Tax Transitional Preferential Policy) issued on 26 December 2007:

- (a) from 1 January 2008, for enterprises that enjoy a preferential tax rate of 15%, the tax rate will be transitioned to 25% over five years at rates of 18% in 2008, 20% in 2009, 22% in 2010, 24% in 2011 and 25% in 2012; and
- (b) from 1 January 2008, the enterprises that originally enjoyed the preference of regular tax reduction and exemption, will continue to enjoy the original preference in accordance with the preferential measures and terms stipulated by the original tax law, administrative regulations and relevant documents until the expiration of the preference.

Dongguan Super Furniture Company Limited was entitled to full exemption from the PRC EIT in 2006 and 2007, being its first two profitable years, and a 50% tax reduction of the PRC Enterprise Income Tax (“EIT”) rate of 25% in 2008 under the New EIT Law till 2010.

Shenzhen Xingli Furniture Company Limited was subject to the PRC EIT rate of 22% in 2010 (2009: 20%).

Shenzhen Xingli Zundian Furniture Company Limited, (“Shenzhen Xingli Zundian”) was exempted from the PRC EIT for its first two profitable years, commencing from 1 January 2005, and thereafter was entitled to a 50% tax reduction in the PRC EIT for the subsequent three consecutive years from 1 January 2007 onwards. Shenzhen Xingli Zundian was subject to the PRC EIT rate of 22% in 2010 (2009: 10% as it was entitled to 50% reduction of 20%).

(b) Deferred taxation

The potential unaudited deferred tax asset of HK\$144,000 (As at 30 June 2009: HK\$328,000) relating to tax losses available for carry forward and other timing differences as at 30 June 2010 has not been recognized due to the unpredictability of the future profit streams. The tax losses do not expire under current tax legislation.

At 30 June 2010, the Group has unrecognised deferred tax liabilities of HK\$3,751,000 (30 June 2009: HK\$3,038,000) in relation to withholding tax on undistributed earnings of HK\$75,019,000 (30 June 2009: HK\$60,762,000) due to the retention of undistributed earnings by the Group’s subsidiaries in the PRC determined by the directors of the Company.

The Company does not have any material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (30 June 2009: Nil), and therefore, no provision for deferred tax has been made.

7 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2010 is based on the profit attributable to equity holders of the Company of HK\$13,016,000 (six months ended 30 June 2009: profit of HK\$8,335,000) and the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2010 of 200,000,000 (six months ended 30 June 2009: 152,486,190 ordinary shares).

	(Unaudited)	
	Six months ended	
	30 June	
	2010	2009
	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	200,000,000	152,486,190

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$13,016,000 (six months ended 30 June 2009: HK\$8,335,000) and the weighted average number of ordinary shares (diluted) of 203,641,985 shares, calculated as follows:

	(Unaudited)	
	Six months ended	
	30 June	
	2010	2009
	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	200,000,000	152,486,190
Effect of dilutive potential ordinary shares arising from share options	3,641,985	—
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	203,641,985	152,486,190

8 DIVIDEND

In June 2010, the final dividend in respect of the financial year ended 31 December 2009 of HK1.40 cents (31 December 2008: Nil) per share totaling HK\$2,800,000 (31 December 2008: Nil) was paid to shareholders.

A dividend in respect of the six months ended 30 June 2010 of HK1.70 cents (six months ended 30 June 2009: HK1.05 cents) per share, amounting to a total dividend of HK\$3,400,000 (six months ended 30 June 2009: HK\$2,100,000) was proposed by the Board on 2 August 2010. These condensed consolidated interim financial statements have not reflected this dividend payable.

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 2010		
Net book value as at 1 January 2010	132,012	48,936
Exchange realignment	1,238	453
Additions	14,017	–
Disposals	(410)	–
Depreciation and amortization	(4,712)	(520)
	<hr/>	<hr/>
Net book value as at 30 June 2010	<u>142,145</u>	<u>48,869</u>
 Six month ended 30 June 2009		
Net book value as at 1 January 2009	74,438	49,886
Additions	30,183	–
Disposals	–	–
Depreciation and amortization	(2,569)	(514)
	<hr/>	<hr/>
Net book value as at 30 June 2009	<u>102,052</u>	<u>49,372</u>

10 AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 June 2010 <i>HK\$'000</i> (Unaudited)	As at 31 December 2009 <i>HK\$'000</i> (Audited)
Listed equity-investments, at market value		
– Hong Kong	<u>6,742</u>	<u>8,262</u>

11 TRADE RECEIVABLES 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 2010 <i>HK\$'000</i> (Unaudited)	As at 31 December 2009 <i>HK\$'000</i> (Audited)
Within 3 months	29,392	23,923
3 to 6 months	3,804	3,525
6 to 12 months	2,917	213
More than 12 months	1,493	—
	<u>37,606</u>	<u>27,661</u>

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

12 TRADE PAYABLES

The ageing analysis of trade payables as of the reporting date is as follow:

	As at 30 June 2010 <i>HK\$'000</i> (Unaudited)	As at 31 December 2009 <i>HK\$'000</i> (Audited)
Within 3 months	78,322	45,021
3 months to 1 year	6,797	2,457
Over 1 year	179	574
	<u>85,298</u>	<u>48,052</u>

13 SECURED BANK LOANS

All bank loans of the Group are denominated in Renminbi. They are wholly repayable as follows:

	As at 30 June 2010 <i>HK\$'000</i> (Unaudited)	As at 31 December 2009 <i>HK\$'000</i> (Audited)
Within one year	21,687	16,850
After 1 year but within 2 years	11,463	28,585
After 2 year but within 5 years	23,689	13,933
	35,152	42,518
	56,839	59,368

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 2010, none of the covenants relating to drawn down facilities had been breached (31 December 2009: Nil).

14 SHARE CAPITAL

	(Unaudited) 30 June 2010	(Audited) 31 December 2009
	Number of Ordinary shares of <i>HK\$0.01 each</i>	Number of ordinary shares of <i>HK\$0.01 each</i>
	Amount <i>HK\$'000</i>	Amount <i>HK\$'000</i>
Authorized:		
Ordinary shares of HK\$0.01 each	1,000,000,000 10,000	1,000,000,000 10,000
Issued and fully paid:	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of period/year	200,000,000 2,000	49,644 387
Arising from sub-division of shares	–	38,672,676
Issued upon Capitalization Issue	–	111,277,680
Issued under the Share Offer	–	50,000,000
At the end of the period/year	200,000,000 2,000	200,000,000 2,000

Notes:

- (i) On 5 May 2009, the currency denomination of the issued and unissued share capital of the Company was changed from United States Dollars to Hong Kong Dollars by adopting the exchange rate of US\$1.00 to HK\$7.80 such that the Company's authorized share capital has become HK\$390,000 divided into 50,000 shares of HK\$7.80 each and the issued share capital has become HK\$387,223.20 divided into 49,644 shares of HK\$7.80 each and immediately thereafter, each of the issued and unissued shares of HK\$7.80 each in the share capital of the Company was subdivided into 780 shares of HK\$0.01 each so that the share capital of the Company comprised 38,722,320 issued shares and 277,680 unissued shares of HK\$0.01 each.
- (ii) Pursuant to the written resolutions of the shareholders of the Company passed on 29 May 2009, the authorized share capital of the Company was increased from HK\$390,000 to HK\$10,000,000 by the creation of an additional of 961,000,000 shares of HK\$0.01 each ("Shares").
- (iii) Conditional on the share premium account of the Company being credited as a result of the Share Offer, the Directors were authorized to capitalize an amount of HK\$1,112,776.80 from the amount standing to the credit of the share premium account of the Company and that the said sum be capitalized and applied to pay up in full at par a total of 111,277,680 Shares for allotment and issue, credited as fully paid at par, to the holders of Shares whose names appear on the register of members of the Company at the close of business on 29 May 2009 or as each of them may direct in writing, in proportion (or as nearly as possible without involving the issue of fractions of Shares) to their respective shareholdings in the Company.
- (iv) On 22 June 2009, a total number of 50,000,000 new shares were issued to the public at HK\$1.02 per Share for cash totaling HK\$51,000,000. The excess of the issue price over the par value of the Shares, net of Share issuing expenses was debited to the share premium account of the Company.

The holders of the 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.

15 CAPITAL COMMITMENTS

	As at 30 June 2010 <i>HK\$'000</i> (Unaudited)	As at 31 December 2009 <i>HK\$'000</i> (Audited)
Contracted but not provided for:		
– Construction of factory building	5,868	9,365
– Acquisition of property, plant and equipment	729	609
	<u>6,597</u>	<u>9,974</u>
Authorised but not contracted for:		
– Acquisition of property, plant and equipment	8,279	12,157
	<u>8,279</u>	<u>12,157</u>

16 CONTINGENT LIABILITIES

As at 30 June 2010, the Group and the Company had no significant contingent liabilities.

17 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel compensation:

	(Unaudited) Six months ended 30 June 2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Salaries and other short-term benefits	2,737	2,505
Post-employment benefits	34	29
Share-based payments	390	233
	<u>3,161</u>	<u>2,767</u>

18 MERGER AND ACQUISITION

During the period under review, the Group did not have any significant investments or acquisitions or sales of subsidiaries.

19 EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2010 which would materially affect the Group's and the Company's operating and financial performance as of the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

In 2008, the Group laid the foundation for its new production plant in Shenzhen. The construction of the new factory was completed and was equipped with advanced equipments. The operations of the new production plant commenced in the period under review, and the new plant increased the maximum annual production capacity of the Group, and laid a foundation for future development of the Group.

Financial Review

Turnover

The Group's turnover increased by approximately 14.0% from about HK\$186.7 million for the six months ended 30 June 2009 to HK\$212.9 million for the six months ended 30 June 2010. The increase in turnover during the period was primarily due to the increases in domestic sales of approximately HK\$25.6 million or 23.7%. The increase in the domestic sales during the period was a result of the increase in demand of middle to high-end furniture products and the co-operation with our distributors.

Gross Profit

During the period under review, the Group's gross profit margin increased by 3.5 percentage point to 22.4% (six months ended 30 June 2009: 18.9%). The prices of major raw materials (such as MDF board, ironware, paint and sponge) and the costs of transportation are generally increased when compared with the corresponding period of 2009.

With the operation of the new plant in Shenzhen, the Group is taking steps to consolidate and restructure some of its operating units to fortify its foundation for future development, and as a result, cost effectiveness and production efficiency are enhanced; these not only offsets the impact of the increase in material costs; but also further increase the profitability of the Group.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK\$18.2 million for the six months ended 30 June 2010, against about HK\$14.3 million for the six months ended 30 June 2009. The increase in selling and distribution expenses is a result of the increase in staff costs and the general increase of expenses which are in line with the increase in turnover.

Administrative Expenses

For the six months ended 30 June 2010, the Group's administrative expenses were approximately HK\$13.5 million against about HK\$11.8 million for the six months ended 30 June 2009, representing an increase of about 14.4%. Such increase was mainly attributable to the addition of the new production plant in Shenzhen and the staff costs associated with it.

Net Profit

The Group's net profit attributable to equity holders of the Company surged by approximately 56.2% from approximately HK\$8.3 million for the six months ended 30 June 2009 to approximately HK\$13.0 million for the six months ended 30 June 2010, and the net profit ratio increased from 4.6% to 6.3%.

PROSPECT

With PRC's growing domestic consumption and sound economic fundamentals, the Group believes the furniture business in PRC would continue to be a blooming and prosperous market. The Group will continue to strengthen its position in the medium to high-end home furniture markets with its plan to explore opportunities on distribution network expansion. 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. With its successful marketing strategies and optimized product mix, the Group is optimistic that it would be able to further expand its market share in the domestic markets, and to increase recognition worldwide particularly in the international market when the global market recovered.

The Group will also explore potential mergers and acquisition opportunities at appropriate time.

LIQUIDITY AND FINANCIAL RESOURCES

All of the Group's funding and treasury activities are managed and controlled by the senior management.

The Group maintained cash and bank balances of HK\$75.0 million as at 30 June 2010 (31 December 2009: HK\$86.8 million).

As at 30 June 2010, the Group's bank borrowings amounted to HK\$56.8 million (31 December 2009: HK\$59.4 million). As at the same date, the gearing ratio (total debt/total equity) was 0.62 (31 December 2009: 0.57).

As at 30 June 2010, the current ratio (current assets/current liabilities) was 1.8 times (31 December 2009: 2.1) and the net current assets amounted to HK\$113.5 million (31 December 2009: HK\$118.0 million).

Use of Proceeds from the Initial Public Offering

The shares of the Company were listed on the Main Board of the Stock Exchange on 22 June 2009. The Company utilized the proceeds from the initial public offering as set out in the Prospectus as follows:

Use of proceeds	Utilized <i>HK\$ million</i>
Marketing and promotion	5
Strengthening design and development capabilities and expanding product range	5
Acquiring new production equipments	10
Partial repayment of the banking facilities	13

The Group had fully utilized the proceeds from the initial public offering as at 30 June 2010.

FOREIGN CURRENCY RISK

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily Renminbi and United States dollars. As most of the transaction denominated and settled in the same currency, hence, the Group's foreign currency risk is considered to be minimal by the Directors at the reporting date. The Group does not hold or issue any derivative financial instruments for trading purposes or for hedging against fluctuations in foreign exchange rates, but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

CHARGE OF ASSETS

As at 30 June 2010, the Group's banking facilities were secured by (i) a legal charge over a piece of land located in Longgang, Shenzhen; (ii) a letter of undertaking provided by the Group to mortgage a factory plant located in Longgang, Shenzhen upon the availability of ownership certificate on or before 31 December 2010; and (iii) corporate guarantees provided by the Company and a subsidiary of the Company.

EMPLOYEES

As at 30 June 2010, the Group employed approximately 1,650 employees (30 June 2009: approximately 1,150). Total staff cost, including Directors' emoluments, amounted to HK\$34.4 million (30 June 2009: HK\$18.8 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.

The relationship between the management and staff has been good. There have not been any labour disputes or work stoppages which have disrupted the operations of the Group.

INTERIM DIVIDEND

The Board recommends the payment of an interim dividend of HK1.70 cents (30 June 2009: HK1.05 cents) per share for the six months ended 30 June 2010. The interim dividend will be distributed on or about 27 August 2010 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 20 August 2010.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 18 August 2010 to 20 August 2010, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on 17 August 2010.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the period ended 30 June 2010, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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 2010, the Company has complied with most of the code provisions set out in the Appendix 14 Code on Corporate Governance Practices (the "Code") to the Listing Rules, except for the deviation from the code provision A.2.1 of the Code as described below.

Code Provision A.2.1

Code Provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sung Kai Hing is the Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same individual provides the Group with strong and consistent leadership in the development and execution of long-term business strategies.

MODEL CODE

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (“Model Code”) as the required standard for securities transactions by Directors. The Company has made specific enquiries of all Directors and all Directors confirmed that they have complied with the required standards set out in the Model Code and its code of conduct regarding Directors’ securities transactions for the 6-month period ended 30 June 2010.

AUDIT COMMITTEE REVIEW

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

PUBLICATION OF UNAUDITED INTERIM RESULTS

The Company’s 2010 interim results announcement 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, 2 August 2010

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Sung Kai Hing and Mr. Cheung Kong Cheung, one non-executive Director, namely Mr. Fang Yan Zau, Alexander, and three independent non-executive Directors, namely Mr. Sun Jian, Ms. Shao Hanqing and Mr. Kong Hing Ki.