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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 2013**

### **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 2013 with comparative figures for the corresponding period in 2012.

# CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

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

# **CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME**

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Profit/(loss) for the period</b>	<b>4,457</b>	<b>(15,686)</b>
<b>Other comprehensive income/(loss)</b>		
Fair value gains/(loss) on available-for-sale investments, net of tax	<b>(1)</b>	<b>8</b>
Currency translation differences	<b>3,745</b>	<b>(1,277)</b>
	<hr/>	<hr/>
<b>Total comprehensive income/(loss) for the period</b>	<b>8,201</b>	<b>(16,955)</b>
	<hr/>	<hr/>
<b>Total comprehensive income/(loss) attributable to</b>		
– equity shareholders of the Company	<b>8,775</b>	<b>(19,171)</b>
– non-controlling interests	<b>(574)</b>	<b>2,216</b>
	<hr/>	<hr/>
	<b>8,201</b>	<b>(16,955)</b>
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# CONDENSED CONSOLIDATED INTERIM FINANCIAL POSITION

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

# CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Unaudited)												
Attributable to equity shareholders of the Company												
Note	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Merger reserve HK\$'000	Fair value reserve HK\$'000	Share option reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
At 1 January 2012	2,424	141,505	40,452	9,597	25,430	(5)	8,263	(6,486)	178,131	399,311	8,389	407,700
Profit (loss) for the period	-	-	-	-	-	-	-	-	(17,902)	(17,902)	2,216	(15,686)
Fair value change on available for sale investments recognised directly in equity	-	-	-	-	-	8	-	-	-	8	-	8
Currency transaction differences	-	-	(1,277)	-	-	-	-	-	-	(1,277)	-	(1,277)
<b>Total comprehensive income for the period ended 30 June 2012</b>	-	-	(1,277)	-	-	8	-	-	(17,902)	(19,171)	2,216	(16,955)
Transfer of reserve	-	-	-	(78)	-	-	-	-	78	-	-	-
Equity settled share option arrangements	-	-	-	-	-	-	267	-	-	267	-	267
Dividends relating to 2011 paid in 2012	8	-	-	-	-	-	-	-	(4,727)	(4,727)	-	(4,727)
<b>At 30 June 2012</b>	<b>2,424</b>	<b>141,505</b>	<b>39,175</b>	<b>9,519</b>	<b>25,430</b>	<b>3</b>	<b>8,530</b>	<b>(6,486)</b>	<b>155,580</b>	<b>375,680</b>	<b>10,605</b>	<b>386,285</b>
At 1 January 2013	2,424	141,505	40,203	9,597	25,430	13	8,798	(6,486)	132,884	354,368	7,483	361,851
Profit (loss) for the period	-	-	-	-	-	-	-	-	5,031	5,031	(574)	4,457
Fair value change on available for sale investments recognised directly in equity	-	-	-	-	-	(1)	-	-	-	(1)	-	(1)
Currency transaction differences	-	-	3,745	-	-	-	-	-	-	3,745	-	3,745
<b>Total comprehensive income for the period ended 30 June 2013</b>	-	-	3,745	-	-	(1)	-	-	5,031	8,775	(574)	8,201
Transfer of reserve	-	-	-	-	-	-	-	-	-	-	-	-
Equity settled share option arrangements	-	-	-	-	-	-	-	-	-	-	-	-
Dividends relating to 2012 paid in 2013	8	-	-	-	-	-	-	-	-	-	-	-
<b>At 30 June 2013</b>	<b>2,424</b>	<b>141,505</b>	<b>43,948</b>	<b>9,597</b>	<b>25,430</b>	<b>12</b>	<b>8,798</b>	<b>(6,486)</b>	<b>137,915</b>	<b>363,143</b>	<b>6,909</b>	<b>370,052</b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS**

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

# 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 Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business of the Company is located at Unit 1101, 11th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong.

The principal business activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture, sofa, mattresses and licensing of its own brands and product designs.

These condensed consolidated interim financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise stated. The condensed consolidated interim financial statements were approved by the Board for issue on 26 August 2013.

The condensed consolidated interim financial statements have not been audited.

## 2. BASIS OF PREPARATION

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2013 of the Group has been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The accounting policies and basis of preparation adopted in these Interim financial statements are consistent with those adopted by the Group in its annual financial statements for the year ended 31 December 2012, except for adoption of new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA which are effective to the Group for accounting periods beginning on or after 1 January 2013. The adoption of the new HKFRSs has no material impact on the Group’s results and financial position for the current or prior periods.

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

### 3. SEGMENT REPORTING

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

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

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

#### (a) Operating segments

The following tables presents the unaudited revenue and profit information regarding the Group’s operating segments for the six months ended 30 June 2013 and 30 June 2012, respectively:

	2013				2012			
	Panel- Furniture	Upholstered Furniture	Unallocated	Consolidated	Panel- Furniture	Upholstered Furniture	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	221,666	70,950	-	292,616	156,686	125,340	-	282,026
Inter-segment	-	2,570	-	2,570	-	1,319	-	1,319
Reportable segment revenue	<u>221,666</u>	<u>73,520</u>	<u>-</u>	<u>295,186</u>	<u>156,686</u>	<u>126,659</u>	<u>-</u>	<u>283,345</u>
Interest income	-	-	1,562	1,562	-	-	81	81
Interest expenses	-	-	2,972	2,972	-	-	1,954	1,954
Depreciation and amortisation	7,337	960	-	8,297	4,997	1,010	-	6,007
Reportable segment profit/(loss)	5,547	(962)	-	4,585	(17,295)	3,966	-	(13,329)

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

	2013				2012			
	Panel- Furniture	Upholstered Furniture	Unallocated	Consolidated	Panel- Furniture	Upholstered Furniture	Unallocated	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Reportable segment assets	561,010	92,159	76,754	729,923	555,789	90,805	78,600	725,194



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

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
Reportable segment revenue	<b>295,186</b>	283,345
Elimination of inter-segment revenue	<b>(2,570)</b>	(1,319)
	<hr/>	<hr/>
Consolidated revenue	<b>292,616</b>	282,026
	<hr/> <hr/>	<hr/> <hr/>
<b>Profit or loss</b>		
Reportable segment profit/(loss)	<b>4,584</b>	(13,329)
Other income	<b>4,902</b>	634
Unallocated amounts:		
Interest expense	<b>(2,971)</b>	(1,954)
Other head office and corporate expenses	<b>(539)</b>	(731)
	<hr/>	<hr/>
Consolidated profit/(loss) before taxation	<b>5,976</b>	(15,380)
	<hr/> <hr/>	<hr/> <hr/>
	<b>As of</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Assets</b>		
Total assets for reportable segments	<b>653,169</b>	646,594
Available-for sales investments*	<b>66</b>	65
Unallocated head office and corporate assets	<b>76,688</b>	78,535
	<hr/>	<hr/>
Consolidated total assets	<b>729,923</b>	725,194
	<hr/> <hr/>	<hr/> <hr/>

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

(c) **Geographic information**

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

**Revenue from external customers**

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2013</b>	<b>2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Asia (excluding the People's Republic of China ("PRC"))*	<b>98,338</b>	81,140
Europe	<b>7,796</b>	1,610
PRC	<b>158,254</b>	152,203
The United States of America	<b>22,165</b>	23,837
Others	<b>6,063</b>	23,236
	<b>292,616</b>	282,026

**Specified non-current assets**

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

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

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

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

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

<sup>#</sup> On 23 April 2010, the Company granted share options to grantees to subscribe for a total of 12,000,000 ordinary shares of HK\$0.01 each of the Company, such options were lapsed on 22 April 2013.

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

#### (b) Fair value of share options

For the six months ended 30 June 2013, the fair value of share options granted is nil (six months ended 30 June 2012: HK\$267,446 which was recognised as staff cost with a corresponding increase in employee share-based capital reserve).

## 5. PROFIT BEFORE TAXATION

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

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

## 6. TAXATION

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

### Current income tax

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

- (i) The provision for Hong Kong profits tax for the six months ended 30 June 2013 is calculated at 16.5% (six months ended 30 June 2012: 16.5%) of the estimated assessable profits for each respective period.

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

Dongguan Super Furniture Company Limited was subject to the PRC Enterprise Income Tax (“EIT”) rate of 25% in 2013 (2012: 25%).

Shenzhen Xingli Furniture Company Limited was subject to the PRC EIT rate of 25% in 2013 (2012: 25%).

Shenzhen Xingli Zundian Furniture Company Limited, was subject to the PRC EIT rate of 25% in 2013 (2012: 25%).

The tax rate for Shenzhen Oulo Furniture Company Limited was 25% in 2013 (2012: 12.5%).

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

**(b) Deferred taxation**

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

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

The Company does not have any material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (2012: Nil), and therefore, no provision for deferred tax has been made.

**7. EARNINGS/(LOSSES) PER SHARE**

**(a) Basic earnings/(losses) per share**

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

(b) **Diluted earnings/(losses) per share**

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

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

**8. DIVIDEND**

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

	<b>(Unaudited)</b>	
	<b>2013</b>	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
Final dividend in respect of the previous financial year, approved and paid during the following interim period of HK\$nil per ordinary share (six months ended 30 June 2012: HK\$1.95 cents per ordinary share)	—	4,727
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## 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)
<b>Six month ended 30 June 2013</b>		
Net book value as at 1 January 2013	301,947	49,779
Exchange realignment	5,325	891
Additions	1,726	–
Disposal	(117)	–
Depreciation and amortization	(8,298)	(564)
	<hr/>	<hr/>
<b>Net book value as at 30 June 2013</b>	<b>300,583</b>	<b>50,106</b>
	<hr/>	<hr/>
<b>Six month ended 30 June 2012</b>		
Net book value as at 1 January 2012	266,997	50,910
Exchange realignment	(1,487)	(283)
Additions	22,826	–
Depreciation and amortization	(6,007)	(556)
	<hr/>	<hr/>
<b>Net book value as at 30 June 2012</b>	<b>282,329</b>	<b>50,071</b>
	<hr/>	<hr/>

## 10. GOODWILL

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

# 11. AVAILABLE-FOR-SALE INVESTMENTS

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

# 12. TRADE DEBTORS AND BILLS RECEIVABLE

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

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

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

# 13. TRADE CREDITORS AND BILLS PAYABLE

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

	As at 30 June 2013 HK\$'000 (Unaudited)	As at 31 December 2012 HK\$'000 (Audited)
Within 3 months	107,883	124,777
3 months to 1 year	78,387	41,169
Over 1 year	513	1,469
	186,783	167,415



#### 14. BANK BORROWINGS

Movements in secured bank borrowings is analysed as follows:

	(Unaudited) HK\$'000
<b>Six months ended 30 June 2013</b>	
Opening amount as at 1 January 2013	113,537
Exchange realignment	1,244
Proceeds from new secured bank loans	9,819
Repayment of secured bank loans	(46,373)
	<hr/>
Closing amount as at 30 June 2013	78,227
	<hr/> <hr/>
<b>Six months ended 30 June 2012</b>	
Opening amount as at 1 January 2012	124,904
Exchange realignment	(450)
Proceeds from new secured bank loans	60
Repayment of secured bank loans	(3,600)
	<hr/>
Closing amount as at 30 June 2012	120,914
	<hr/> <hr/>

All of the Group's banking facilities are subject to the fulfillment of covenants, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. At 30 June 2013, none of the covenants relating to drawn down facilities had been breached (31 December 2012: Nil).

#### 15. SHARE CAPITAL

	(Unaudited) 30 June 2013		(Audited) 31 December 2012	
	Number of ordinary shares of	Amount	Number of ordinary shares of	Amount
Note	HK\$0.01 each	HK\$'000	HK\$0.01 each	HK\$'000
<b>Authorized:</b>				
Ordinary shares of HK\$0.01 each	1,000,000,000	10,000	1,000,000,000	10,000
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Issued and fully paid:</b>				
Beginning of period/year	242,398,675	2,424	242,398,675	2,424
	<hr/>	<hr/>	<hr/>	<hr/>
At the end of the period/year	242,398,675	2,424	242,398,675	2,424
	<hr/>	<hr/>	<hr/>	<hr/>

## 16. CAPITAL COMMITMENTS

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

## 17. CONTINGENT LIABILITIES

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

## 18. MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel compensation:

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

## 19. EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2013 which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

While the global economic conditions remained volatile and complicated in the six months period ended 30 June 2013, the Group has done its best to re-assess and adjust its operating strategies and made good progress in various parts of the business for a sustainable growth for the future. During the period under review, we recorded a growth in turnover by 3.8% and the Group turned around from loss to profit of approximately HK\$5.0 million.

The Group continued its business growth strategy to increase its market shares by expanding its PRC domestic sales network to third and fourth tier cities, expanding its production capacity, strengthening its research and development capabilities, and diversifying its product offerings.

### **FINANCIAL REVIEW**

#### *Turnover*

The Group's turnover increased by approximately 3.8% from about HK\$282.0 million for the six months ended 30 June 2012 to HK\$292.6 million for the six months ended 30 June 2013. The increase in turnover during the period was due to the increases in both domestic sales and export sales. The increase in the domestic sales during the period was a result of the Group's expansion in sales network in 3rd and 4th tier cities for its modern furniture, and the increase in export sales was primarily due to the increase in orders from the Group's existing customers.

#### *Gross Profit*

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

#### *Selling and Distribution Expenses*

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

#### *Administrative Expenses*

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

### *Profit for the Period*

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

### **PROSPECT**

For the second half of 2013, macro-economic uncertainty and the risk of a slower economic growth are still factors to reckon with. The lack of notable recovery in consumer confidence will continue to pose challenges and opportunities to the furniture industry in China. We hold a belief that investments in brand building and proactive management of sales channels are crucial to the healthy development of an enterprise in the long run.

Therefore, the Group will continue to implement prudent and flexible operation strategy, and to strengthen its position in the medium to high-end home furniture market with its plan to explore opportunities on distribution network expansion, as well as collaboration with property developers for home furniture projects. To enhance its competitive strength, the Group will continue to actively participate in various international furniture exhibitions and marketing promotions and strengthen its design capacity.

### **LIQUIDITY AND FINANCIAL RESOURCES**

The Group's funding and treasury activities are managed and controlled by the senior management. The Group maintained cash and bank balances of HK\$54.3 million as at 30 June 2013 (31 December 2012: HK\$93.4 million).

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

As at 30 June 2013, the current ratio (current assets/current liabilities) was 1.0 time (31 December 2012: 1.0) and the net current assets amounted to HK\$1.0 million (31 December 2012: HK\$1.5 million).

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

### **FOREIGN CURRENCY RISK**

The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The Group does not hold or issue any derivative financial instruments for trading purposes or for hedging against fluctuations in foreign exchange rates, but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

## **CHARGE OF ASSETS**

As at 30 June 2013, the Group's banking facilities were secured by (i) a legal charge over a piece of land located in Longgang, Shenzhen; (ii) a mortgage over a factory plant located in Longgang, Shenzhen; and (iii) corporate guarantees provided by the Company and subsidiaries of the Company.

## **EMPLOYEES**

As at 30 June 2013, the Group employed approximately 1,840 employees (30 June 2012: approximately 1,800). Total staff cost, including Directors' emoluments, amounted to HK\$64.1 million (30 June 2012: HK\$53.1 million). Salaries are reviewed annually and discretionary bonuses are paid on annual basis with reference to individual performance appraisals, inflation and prevailing market conditions. Other benefits available to eligible employees include employee share option, retirement benefits and medical insurance schemes.

Apart from regular on-the-job training, the Group also engaged professional parties to provide training to its staff to ensure they can obtain updated job related knowledge and enhance the quality of work.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend (30 June 2012: Nil) for the six months ended 30 June 2013.

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

During the 6-month period ended 30 June 2013, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **CORPORATE GOVERNANCE**

The directors of the Company (the "Directors" and each a "Director") recognize the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Directors continuously observe the principles of good corporate governance in the interests of shareholders and devote considerable effort to identifying and formalizing best practice.

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

### *Code provision A.2.1*

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

## **MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS**

The Company has adopted the Model Code 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 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 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 REPORT**

The Company's 2013 interim report will be published on the website of the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) and on the Company's website at [www.hingleehk.com.hk](http://www.hingleehk.com.hk).

## **APPRECIATION**

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

By Order of the Board of  
**Hing Lee (HK) Holdings Limited**  
**Sung Kai Hing**  
*Chairman and Chief Executive Officer*

Hong Kong, 26 August 2013

*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.*