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 2009

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 financial statements of the Company and its subsidiaries (the "Group") for the six months ended 30 June 2009 with comparative figures for the corresponding period in 2008.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		(Unaudited) Six months ended 30 June	
		2009	2008
	Notes	***HK$'000***	*HK$'000*
Turnover	3	**186,666**	233,867
Cost of sales		**(151,473)**	(195,686)
Gross profit		**35,193**	38,181
Other revenue		**444**	807
Selling and distribution expenses		**(14,290)**	(11,912)
Administrative expenses		**(11,775)**	(14,007)
Profit from operations		**9,572**	13,069
Finance costs		**–**	(302)
Profit before taxation	5	**9,572**	12,767
Taxation	6	**(1,019)**	(1,232)
Profit for the period		**8,553**	11,535
Attributable to:			
Equity holders of the Company		**8,335**	11,535
Minority interests		**218**	(22)
Profit for the period		**8,553**	11,513
Interim dividend	7	**2,100**	3,972
Basic earnings per share attributable to equity holders of the Company (HK cents)	8	**5.47**	7.69

CONDENSED CONSOLIDATED INTERIM BALANCE SHEET

	Notes	As at 30 June 2009 HK$'000 (Unaudited)	As at 31 December 2008 HK$'000 (Audited)
Non-current assets			
Property, plant and equipment	9	**102,052**	74,438
Prepaid lease payments	9	**48,343**	48,857
Available-for-sale investments	10	**7,080**	4,648
		157,475	127,943
Current assets			
Prepaid lease payments	9	**1,029**	1,029
Inventories		**57,934**	67,447
Trade receivables	11	**36,831**	34,562
Prepayments, deposits and other receivables		**34,497**	24,041
Restricted bank deposits		**9,929**	9,929
Bank balances and cash		**92,688**	88,208
		232,908	225,216
Current liabilities			
Trade payables	12	**40,379**	61,221
Other payables and accruals		**29,362**	34,188
Current portion of secured bank loans	13	**32,385**	11,441
Amount due to a related company	14	**–**	749
Current tax payable		**501**	3,834
		102,627	111,433
Net current assets		**130,281**	113,783
Total assets less current liabilities		**287,756**	241,726
Non-current liabilities			
Non-current portion of secured bank loans	13	**34,797**	32,372
		34,797	32,372
Net assets		**252,959**	209,354
Equity			
Share capital	15	**2,000**	387
Reserves		**246,396**	204,622
Equity attributable to equity holders of the Company		**248,396**	205,009
Minority interests		**4,563**	4,345
Total equity		**252,959**	209,354

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

	(Unaudited) Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Profit for the period	**8,553**	11,535
Other comprehensive income		
Fair value gains on available-for-sale investments, net of tax	**2,422**	–
Currency translation differences	**–**	9,128
Total comprehensive income for the period	**10,975**	20,663
Total comprehensive income attributable to		
– equity holders of the Company	**10,757**	20,391
– minority interest	**218**	272
	10,975	20,663

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

Six months ended 30 June (Unaudited)

	Attributable to equity holders of the Company										
	Share capital	Share premium	Exchange reserve	Statutory reserve fund	Merger reserve	Fair value reserve	Share option reserve	Retained profits	Total	Minority interests	Total equity
	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 2008	**387**	**44,350**	**11,636**	**3,647**	**25,430**	**–**	**2,477**	**78,757**	**166,684**	**4,066**	**170,750**
Profit for the period	–	–	–	–	–	–	–	11,513	11,513	22	11,535
Other comprehensive income											
Exchange differences arising on translation of financial statements of overseas subsidiaries	–	–	8,878	–	–	–	–	–	8,878	250	9,128
Total comprehensive income for the period ended 30 June 2008	**–**	**–**	**8,878**	**–**	**–**	**–**	**–**	**11,513**	**20,391**	**272**	**20,663**
Equity-settled share option arrangements	–	–	–	–	–	–	1,317	–	1,317	–	1,317
Transfer of reserve	–	–	–	585	–	–	–	(585)	–	–	(585)
Dividends paid	–	–	–	–	–	–	–	(3,972)	(3,972)	–	(3,972)
At 30 June 2008	**387**	**44,350**	**20,514**	**4,232**	**25,430**	**–**	**3,794**	**85,713**	**184,420**	**4,338**	**188,758**
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 investments 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 share 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	–	–	–	–	–	–	–	–	–	–	–
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**

CONDENSED CONSOLIDATED INTERIM CASH FLOW STATEMENT

	(Unaudited) Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Net cash used in operating activities	**(21,102)**	(13,429)
Net cash used in investing activities	**(30,184)**	(38,848)
Net cash generated from financing activities	**55,766**	41,535
Net increase (decrease) in cash and cash equivalents	**4,480**	(10,742)
Effect of foreign exchange rate changes	**–**	4,547
Cash and cash equivalents at the beginning of the period	**88,208**	85,192
Cash and cash equivalents at the end of the period	**92,688**	78,997
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	**92,688**	78,997

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 brand and product designs.

These condensed consolidated interim financial information are presented in Hong Kong dollars ("HK$"), unless otherwise stated. This condensed consolidated interim financial information was approved for issue on 27 August 2009.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial information for the six months ended 30 June 2009 (the "Interim Accounts") 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 methods of computation used in the preparation of the Interim Accounts are consistent with those in the financial statements for the year ended 31 December 2008 contained in the Company's prospectus dated 9 June 2009 (the "Prospectus").

In the current interim period, the Group has initially applied the following Hong Kong Financial Reporting Standards ("HKFRSs"):

HKFRSs (Amendments)	Improvements to HKFRSs
HKAS 1 (Revised)	Presentation of financial statements
HKAS 23 (Revised)	Borrowing costs
HKAS 27 (Revised)	Consolidated and separate financial statements
HKFRS 1 & HKAS 27 (Amendments)	Cost of an investment in a subsidiary, jointly controlled entity or associate
HKFRS 2 (Amendments)	Share-based payment – vesting conditions and cancellations
HKFRS 8	Operating segments

The adoption of the new HKFRSs had no material effect on the results or financial position of the Group for the current and prior accounting periods. Accordingly, no prior period adjustment has been recognised.

The following new standards, amendments to standards and interpretations have been issued, but are not effective to the financial year beginning 1 January 2009 and have not been early adopted.

– HKFRS 3 (Revised), 'Business combinations' and consequential amendments to HKAS 27 'Consolidated and separate financial statements', HKAS 28, 'Investments in associates' and HKAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting and consolidation on the Group. The Group does not have any investments in associates and any joint ventures.

  The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the statement of comprehensive income. There is a choice on an acquisition-by-acquisition basis to measure the minority interest in the acquiree either at fair value or at the minority interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) to all business combinations from 1 January 2010.

– Amendment to HKFRS 5, 'Non-current Assets held for sale and discontinued operations', effective for periods beginning on or after 1 January 2010. Disclosures in standards other then HKFRS 5 do not apply to non-current asset (or disposal groups) classified as held for sales or discontinued operations unless those HKFRSs specifically require disclosures for then. Additional disclosures about these assets or discontinued operations may be necessary to comply with the general requirement of HKAS 1 'Presentation of financial statements'. The Group will apply HKFRS 5 (amendment) from 1 January 2010.

– HK(IFRIC)-Int 17, 'Distributions of non-cash assets to owners', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it has not made any non-cash distributions.

– Amendment to HKAS 39, 'Financial instruments: Recognition and measurement on eligible hedged items', effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Group, as it does not have any hedged items.

In May 2009, the HKICPA issued Improvements to HKFRSs which set out amendments to HKFRSs, primarily with a view to removing inconsistencies and clarifying wording. The Group expects to adopt the amendments to HKFRSs from 1 January 2010. There are separate transitional provisions for each standard. While the adoption of some of them may result in changes in accounting policy, none of these amendments are expected to have a material financial impact on the Group.

– HKFRS 2, 'Share-based payment'. It clarifies in the scope that transaction in which entity acquires goods as part of the net assets acquired in a business combination, in a combination of entities or business under common controls, or the contribution of a business on the formation of a joint venture does not fall under the scope of this HKFRS.

- HKFRS 8, ‘Operating segments’. It clarifies that a measure of total assets for each reportable segment should be reported only if such information is regularly provided to the chief operating decision maker.

- HKAS 7, ‘Statement of cash flows’. It specifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as investing activities.

- HKAS 17, ‘Lease’. It removes the previous classification on leases with both land and building elements and requires separate assessment of each element as a finance or an operating lease accordingly.

- HKAS 18, ‘Revenue’. It gives additional example to illustrate how to determine whether an entity is acting as a principal or as an agent.

- HKAS 36, ‘Impairment of assets’. It clarifies that each unit or group of units to which the goodwill is so allocated should not be larger than an operating segment before aggregation.

- HKAS 38, ‘Intangible assets’. It introduces amendments to measurement of fair value of an intangible asset acquired in a business combination. Intangible asset acquired in business combination might be separable together with a related contract and identifiable liability in addition to identifiable asset. Additional consequential amendments to this HKAS arising from revised HKFRS 3 were also incorporated.

- Amendment to HKAS 39, ‘Financial instruments’. Recognition and Measurement: It clarifies that this HKAS is not applicable to forward contract between acquirer and selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date. It also replaces the term “assets acquired or liability assumed” under Cash Flow Hedges with “hedged forecast cash flows”.

- HK(IFRIC)-Int 9 ‘Reassessment of Embedded Derivatives’. It clarifies in the scope that this interpretation does not apply to embedded derivatives in contracts acquired in a business combination, a combination of entities or businesses under common control, or the formation of a joint venture.

3. TURNOVER AND SEGMENT INFORMATION

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 brand and product designs.

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment, and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately according to the nature of their operations and the products sold. Each of the Group's business segments represents a strategic business unit that offers products which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

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

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

(i) Business segment

	(Unaudited) Six months ended 30 June 2009		
	Home furniture *HK$'000*	**Branded distribution** *HK$'000*	**Consolidated** *HK$'000*
Revenue			
Sales of furniture	**179,972**	**–**	**179,972**
Licensing income	**–**	**6,694**	**6,694**
	179,972	**6,694**	**186,666**
Segment result	**3,371**	**6,688**	**10,059**
Other revenue			**444**
Interest expense			**–**
Corporate and unallocated expenses			**(931)**
Profit before taxation			**9,572**
Taxation			**(1,019)**
Profit before minority interests			**8,553**
Assets			
Segment assets	**227,280**	**99,807**	**327,087**
Corporate and unallocated assets			**63,296**
			390,383

	(Unaudited) Six months ended 30 June 2009		
	Home furniture	**Branded distribution**	**Consolidated**
	HK$'000	***HK$'000***	***HK$'000***
Liabilities			
Segment liabilities	**61,677**	**12,871**	**74,548**
Corporate and unallocated liabilities			**62,876**
			137,424
Other information			
Depreciation and amortisation	**3,082**	**–**	**3,082**
Reversal of impairment of trade receivables	**(150)**	**–**	**(150)**
Impairment of inventories	**2,329**	**–**	**2,329**
Capital expenditure	**30,183**	**–**	**30,183**

	(Unaudited) Six months ended 30 June 2008		
	Home furniture	Branded distribution	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Revenue			
Sales of furniture	225,192	–	225,192
Licensing income	–	8,675	8,675
	225,192	8,675	233,867
Segment result	5,375	8,646	14,021
Other revenue			807
Interest expense			(302)
Corporate and unallocated expenses			(1,759)
Profit before taxation			12,767
Taxation			(1,232)
Profit before minority interests			11,535
Assets			
Segment assets	222,668	90,291	312,959
Corporate and unallocated assets			40,101
			353,060

	(Unaudited) Six months ended 30 June 2008		
	Home furniture	Branded distribution	Consolidated
	HK$'000	*HK$'000*	*HK$'000*
Liabilities			
Segment liabilities	106,147	–	106,147
Corporate and unallocated liabilities			58,155
			164,302
Other information			
Depreciation and amortisation	3,544	–	3,544
Reversal of impairment of trade receivables	1,288	690	1,978
Loss on disposal of property, plant and equipment	75	–	75
Change in fair value of equity-investments at fair value through profit or loss	–	–	979
Gain on disposal of equity-investments at fair value through profit or loss	–	–	(774)
Impairment of inventories	810	–	810
Capital expenditure	30,055	–	30,055

(ii) Geographical segments

	(Unaudited) Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Asia (excluding PRC)	**49,749**	95,238
Europe	**14,231**	20,068
PRC	**108,027**	109,577
Others	**14,659**	8,984
Revenue from external customers	**186,666**	233,867

	As at 30 June 2009 *HK$'000* **(Unaudited)**	As at 31 December 2008 *HK$'000* (Audited)
Asia (excluding PRC)	**53,283**	52,981
Europe	**983**	2,680
PRC	**335,052**	293,416
Others	**1,065**	4,082
Segment assets	**390,383**	353,159

	As at 30 June 2009 *HK$'000* **(Unaudited)**	As at 31 December 2008 *HK$'000* (Audited)
Asia (excluding PRC)	**–**	12
Europe	**–**	–
PRC	**30,183**	53,506
Others	**–**	–
Capital expenditure	**30,183**	53,518

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 of the Company:	5,994,680 *	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
Options granted to employees of the Group:	7,118,677	1.0647	23/12/2009 to 30/12/2016
	374,667	1.0647	31/12/2009 to 30/12/2016
	187,334	1.0647	20/06/2010 to 19/06/2017
	374,668	1.0647	31/12/2010 to 30/12/2016
	187,334	1.0647	20/06/2011 to 19/06/2017
Total number of shares subject to the share options	**14,986,695**		

* Included a total of 2,997,340 share options granted to Mr. Chan Kwok Kin and Mr. Huang Wei Ye of 1,498,670 each 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.

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

For the six months ended 30 June 2009, the fair value of share options granted of HK$233,227 (six months ended 30 June 2008: HK$1,316,507) 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	
	2009	2008
	HK$'000	*HK$'000*
After charging		
Auditor's remuneration	**400**	682
Cost of inventories sold	**151,473**	194,876
Change in fair value of financial assets at fair value through profit or loss	**–**	979
Staff costs (including Directors' emoluments)		
– Directors' emoluments	**2,036**	2,727
– Others	**16,781**	20,135
Depreciation	**2,568**	3,028
Amortisation of prepaid land lease payments	**514**	516
Impairment for inventories	**2,329**	810
Loss on disposal of property, plant and equipment	**–**	75
Net exchange loss	**205**	60
After crediting		
Interest income	**61**	170
Gain on disposal of financial assets at fair value through profit or loss	**–**	774
Reversal of impairment for doubtful debts	**149**	1,978

6. TAXATION

Taxation in the condensed consolidated interim income statements represents:

	(Unaudited) Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
Current year provision		
– Hong Kong profits tax	**–**	141
– PRC enterprise income tax	**1,019**	1,091
	1,019	1,232

(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 2009 is calculated at 16.5% (six months ended 30 June 2008: 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 2009 and 2008 as it has been dormant since its incorporation.

(iv) Prior to 1 January 2008, Dongguan Super Furniture Company Limited ("Dongguan Super Furniture") was subject to Enterprise Income Tax ("EIT") in the PRC with a preferential EIT rate of 24% under (the Income Tax Law of the People's Republic of China for Enterprises with Foreign Investment and Foreign Enterprises) promulgated by (the National People's Congress). Dongguan Super Furniture was also approved to be entitled to EIT full exemption for two years from its first profit making year and a 50% reduction for the following three years in accordance with (the Dongguan Municipal Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises) issued by (the Dongguan Municipal Office of the State Administration of Taxation), which in the opinion of Zhong Xin Law Firm Shanghai Branch, the PRC legal advisers of the Group in the listing of the shares of the Company on the Main Board of the Stock Exchange, is an appropriate competent authority for granting the tax exemption to Dongguan Super Furniture under its jurisdiction in accordance with the provisions under relevant laws and regulations in the PRC.

Prior to 1 January 2008, Shenzhen Xingli Furniture Company Limited ("Shenzhen Xingli") and Shenzhen Xingli Zundian Furniture Company Limited ("Shenzhen Xingli Zundian") were subject to EIT in the PRC with a preferential EIT rate of 15% under (the notice of Income Tax Law for Enterprises with Foreign Investment and Foreign Enterprises in Baoan and Longgang) issued by (the People's Government of Shenzhen). Shenzhen Xingli and Shenzhen Xingli Zundian were also approved to be entitled to EIT full exemption for two years from its first profit making year and a 50% reduction for the following three years by (the Shenzhen Municipal Office of State Administration of Taxation in Longgang district).

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 was incorporated in October 2005 and did not generate any assessable profits in 2005 and therefore it was not required to pay any PRC EIT for the year of 2005. Dongguan Super Furniture 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 EIT rate of 25% in 2008 under the New EIT Law till 2010.

Shenzhen Xingli was exempted from the PRC EIT for its first two profitable years, commencing from 1 January 2003, and thereafter was entitled to a 50% tax reduction in the PRC EIT rate of 15% for the subsequent three consecutive years from 1 January 2005 to 31 December 2007. Shenzhen Xingli was subject to the PRC enterprise income tax rate of 18% in 2008.

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 entitled to a 50% tax reduction in the PRC EIT of 15% for the year 2007. Under the New EIT Law, it is expected that Shenzhen Xingli Zundian will be entitled to a 50% reduction of the PRC EIT rate of 18% and 20% for the year 2008 and 2009 respectively.

Details of unrecognised deferred tax assets at the balance sheet date are as follows:

	As at 30 June 2009	As at 31 December 2008
	HK$'000	*HK$'000*
	(Unaudited)	(Audited)
Excess of tax allowances over depreciation	**45**	45
Tax losses	**(442)**	(513)
	(397)	(468)

The deferred tax assets in respect of the tax losses have not been recognised in the financial statements due to the unpredictability of future profit streams.

7. INTERIM DIVIDEND

A dividend in respect of the six months ended 30 June 2009 of HK1.05 cents (six months ended 30 June 2008: HK2.65 cents) per share, amounting to a total dividend of approximately HK$2,100,000 was proposed by the Board on 27 August 2009. This condensed consolidated interim financial statements has not reflected this dividend payable.

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the six months ended 30 June 2009 is based on the profit attributable to equity holders of the Company of HK$8,335,000 (six months ended 30 June 2008: profit of HK$11,513,000) and the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2009 of 152,486,190 (six months ended 30 June 2008: 150,000,000 ordinary shares). The weighted average number of shares of the Company in issue during the six months ended 30 June 2009 and 2008 respectively, is calculated on the assumption that a total of 150,000,000 ordinary shares of the Company to be in issue immediately following the completion of the capitalization issue as described in the Prospectus ("Capitalization Issue") were outstanding throughout the entire two periods.

Weighted average number of ordinary shares

	(Unaudited) Six months ended 30 June	
	2009	2008
	HK$'000	*HK$'000*
	No. of shares	*No. of shares*
Shares issued upon completion of Capitalization Issue	**150,000,000**	150,000,000
Effect of shares issued upon placing and public offering ("Share Offer") on 22 June 2009	**2,486,190**	–
Weighted average number of Shares	**152,486,190**	150,000,000

There were no dilutive potential ordinary shares in existence during both the current and prior periods; therefore, no diluted earnings per share amounts have been presented.

9. PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

	Property, plant and equipment	**Prepaid lease payments**
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
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)
Net book value as at 30 June 2009	102,052	49,372
Six months ended 30 June 2008		
Net book value as at 1 January 2008	26,432	47,448
Exchange realignment	1,667	2,748
Additions	29,337	718
Disposals	(639)	–
Depreciation and amortization	(3,028)	(1,028)
Net book value as at 30 June 2008	53,769	49,886

As at 30 June 2009, the Group had pledged its leasehold land with carrying value of HK$25,332,006 (31 December 2008: HK$25,595,880) to secure general banking facilities granted to the Group.

10. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 June 2009 *HK$'000* (Unaudited)	As at 31 December 2008 *HK$'000* (Audited)
Listed equity-investments, at market value		
– Hong Kong	**7,080**	4,648

11. TRADE RECEIVABLES

At 30 June 2009, the aging analysis of the trade receivables, net of impairment, were as follows:

	As at 30 June 2009 *HK$'000* (Unaudited)	As at 31 December 2008 *HK$'000* (Audited)
Within 3 months	**28,168**	28,218
3 months to 6 months	**8,663**	4,605
6 months to 12 months	**–**	1,519
Over 1 year	**–**	220
	36,831	34,562

12. TRADE PAYABLES

At 30 June 2009, the aging analysis of the trade payables was as follows:

	As at 30 June 2009 *HK$'000* (Unaudited)	As at 31 December 2008 *HK$'000* (Audited)
Within 3 months	**38,155**	56,880
3 months to 1 year	**1,796**	3,995
Over 1 year	**428**	346
	40,379	61,221

13. SECURED BANK LOANS

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

	As at 30 June 2009 *HK\$'000* **(Unaudited)**	As at 31 December 2008 *HK\$'000* (Audited)
Within one year	**32,385**	11,441
In the second year	**14,933**	11,441
In the third to fifth years	**19,864**	20,931
	67,182	43,813
Portion classified as current liabilities	**(32,385)**	(11,441)
Portion classified as non-current liabilities	**34,797**	32,372

At 30 June 2009, the bank loans carried interest at 120% of the lending rate stipulated by The People's Bank of China. The Group's bank loans are secured by a letter of undertaking over the Group's construction in progress outside Hong Kong and a legal charge over the Group's medium-term leasehold land outside Hong Kong.

14. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company represents design fee payable to Shenzhen Jing Chu Furniture Design Company Limited ("Shenzhen Jing Chu"), a company substantially owned by Mr. Huang Wei Ye, a founder of the Group and former Director of the Company. The balance is unsecured, interest-free and has no fixed terms of repayment.

In January 2009, Mr. Huang Wei Ye disposed of his entire interest in Shenzhen Jing Chu, therefore, Shenzhen Jing Chu has ceased to be a related party since then.

15. SHARE CAPITAL

	(Unaudited) 30 June 2009		(Audited) 31 December 2008	
	Number of ordinary shares of HK$0.01 each	**Amount** *HK$'000*	Number of ordinary shares of US$1 each	Amount *US$'000*
Authorized:				
As at 30 June 2009 and 31 December 2008	**1,000,000,000**	**10,000**	50,000	50
Issued and fully paid:		*HK$'000*		*HK$'000*
As at 31 December 2008 and 1 January 2009	**49,644**	**387**	49,644	387
Arising from sub-division of shares	**38,673,676**	**–**	–	–
Issued pursuant to Capitalization Issue	**111,276,680**	**1,113**	–	–
New issue of shares under the Share Offer	**50,000,000**	**500**	–	–
At the end of the period	**200,000,000**	**2,000**	49,644	387

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.

16. MATERIAL RELATED PARTY TRANSACTIONS

(a) Guarantees provided by Directors:

Personal guarantees to the Group's bank loans disclosed in note 13 were provided by Mr. Sung Kai Hing and Mr. Cheung Kong Cheung (both being Directors of the Company), Mr. Chan Kwok Kin and Mr. Huang Wei Ye, (both being former Directors of the Company) for amount of HK$11,000,000, HK$11,000,000, HK$9,386,300 and RMB8,824,200, respectively. Both Mr. Chan Kwok Kin and Mr. Huang Wei Ye resigned as Directors of the Company on 29 May 2009 but remain as members of the senior management of the Group. These personal guarantees were released upon listing.

(b) Transactions with Shenzhen Jing Chu:

Shenzhen Jing Chu, was a company substantially owned by Mr. Huang Wei Ye, who is a founder of the Group and former Director of the Company. During the six months ended 30 June 2008, the Group paid HK$23,000 to Shenzhen Jing Chu for services provided in respect of product design.

Mr. Huang Wei Ye disposed of his entire interests in Shenzhen Jing Chu in January 2009. Therefore, the transactions between the Group and Shenzhen Jing Chu no longer constitute continuing connected transactions of the Company under the Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") upon listing.

17. CAPITAL COMMITMENTS

	As at 30 June 2009 *HK$'000* **(Unaudited)**	As at 31 December 2008 *HK$'000* (Audited)
Contracted but not provided for:		
– Construction of factory building	**19,572**	38,921
– Acquisition of property, plant and equipment	**–**	79
	19,572	39,000
Authorised but not contracted for:		
– Construction of factory building	**–**	–
– Acquisition of property, plant and equipment	**23,000**	25,000
	23,000	25,000

18. CONTINGENT LIABILITIES

As at 30 June 2009, the Group and the Company had no significant contingent liabilities.

19. MERGER AND ACQUISITION

During the period under review, apart from the construction of the new production plant located in Shenzhen, the Group did not have any significant investments or acquisitions or sales of subsidiaries.

20. POST BALANCE SHEET EVENTS

There are no significant events subsequent to 30 June 2009 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

The global economic crisis, which has spread since late 2008, has adversely affected the world economies and also resulted in a global credit tightening. With a deteriorating worldwide economy, demand for the Group's furniture products was affected.

Despite the challenging business environment, Year 2009 will be a year to remember by the Group as on 22 June 2009, the shares of the Company were successfully listed on the Main Board of the Stock Exchange.

Financial Review

Turnover

The Group's turnover decreased by approximately 20.2% from about HK$233.9 million for the six months ended 30 June 2008 to HK$186.7 million for the six months ended 30 June 2009. The decrease in turnover during the period was primarily due to the decreases in export sales of approximately HK$45.7 million or 36.7%. The decrease in the export sales during the period was mainly due to the rapidly deteriorating consumer sentiment caused by the global financial crisis since the third quarter of 2008.

Gross Profit

During the period under review, the Group's gross profit margin increased by 2.6 percentage point to 18.9% (six months ended 30 June 2008: 16.3%) as a result of the general decrease in the prices of major raw materials (such as MDF board, ironware, paint and sponge) and the costs of transportation when compared with the corresponding period of 2008. The Group continued to manage raw material costs, inventory levels and its sourcing networks so as to ensure that it has timely and stable supply of raw materials at competitive prices. The Directors believe this would allow the Group more flexibility to adjust the product selling price, if necessary, in order to remain competitive.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK$14.3 million for the six months ended 30 June 2009, against about HK$11.9 million for the six months ended 30 June 2008. It has been the strategy of the Group to increase brand recognition and enhance corporate profile through advertising and promotion, as a result, advertising expenses increased by about HK$0.5 million. In addition, the Group recorded a reversal of the impairment for doubtful debts of approximately HK$2.0 million during the six months ended 30 June 2008.

Administrative Expenses

For the six months ended 30 June 2009, the Group's administrative expenses were approximately HK$11.8 million against about HK$14.0 million for the six months ended 30 June 2008, representing a decrease of about 15.7%. Such decrease was mainly attributable to the reduction in share based payment expenses of about HK$1.1 million and the general decrease in the Group's administrative expenses as a result of the stringent cost control of the Group.

Net Profit

As a result of the foregoing, the Group's net profit attributable to equity holders of the Company decreased by approximately 27.8% from approximately HK$11.5 million for the six months ended 30 June 2008 to approximately HK$8.3 million for the six months ended 30 June 2009, and the net profit ratio decreased from 4.9% to 4.6%.

PROSPECT

The economic conditions and the market environment are expected to remain challenging, and depressed global economic conditions are continuing to affect the furniture industry adversely. Despite the current difficult economic conditions, the Directors are optimistic about the prospects of the domestic and overseas furniture markets in the long run.

In 2008, the Group laid the foundation for its new production plant in Shenzhen. The new factory will be equipped with advanced equipments. The new production plant is expected to commence its trial operations in late 2009, and the new plant will subsequently increase the maximum annual production capacity of the Group to meet the demand in coming years. With the operation of the new plant, the Group will take steps to consolidate and restructure some of its operating units to fortify its foundation for future development so that the Group will be able to achieve enhanced cost effectiveness.

Looking ahead, 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 would be able to expand its market share in the domestic markets, and to increase recognition worldwide particularly in the international market when the market recovered.

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

LIQUIDITY AND FINANCIAL RESOURCES

All the Group's funding and treasury activities are currently managed and controlled by the senior management. There is no significant change in respect of treasury and financing policies from the information disclosed in the Prospectus.

The Group maintained cash and bank balances of HK$92.7 million as at 30 June 2009 (31 December 2008: HK$88.2 million).

As at 30 June 2009, except for an interest-bearing bank borrowing amounting to HK$67.2 million, the Group had no other bank borrowings and contingent liabilities. As at the same date, the gearing ratio (total debt / total equity) was 0.55 (31 December 2008: 0.69).

As at 30 June 2009, the current ratio (current assets/current liabilities) was 2.3 times (31 December 2008: 2.0) and the net current assets amounted to HK$130.3 million (31 December 2008: HK$113.8 million).

On 22 June 2009, the Company listed its shares on the Main Board of the Stock Exchange by way of placing and public offer of 50,000,000 shares of HK$0.01 each at the price of HK$1.02. The net proceeds from the placing and public offer amounted to approximately HK$33 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. As set out in the Prospectus, the Company intended to use the proceeds from the initial public offering as follows:

Use of proceeds	**Available to utilize** *HK$ million*
Marketing and promotion	5
Strengthening design and development capabilities and expanding product range	5
Acquiring new production equipment	10
Partial repayment of the banking facilities	13

The Group has not yet utilized any of the proceeds from the initial public offering as at 30 June 2009. Any net proceeds that were not applied immediately have been temporarily placed in the short-term deposits with financial institutions.

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. Hence, the Group's foreign currency risk is considered to be minimal by the Directors. 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 2009, the Group had banking facilities which were secured by (i) a legal charge over a piece of land located in Longgang, Shenzhen ("Longgang Land"); (ii) a letter of undertaking provided by the Group to mortgage its factory premises currently being constructed on the Longgang Land upon the availability of ownership certificate on or before 31 December 2009; and (iii) corporate guarantees provided by the Company and a subsidiary of the Company.

EMPLOYEES

As at 30 June 2009, the Group employed approximately 1,150 employees (30 June 2008: approximately 1,270). Total staff cost, including Directors' emoluments, amounted to HK$18.8 million (30 June 2008: HK$22.9 million). Salaries are reviewed annually and discretionary bonuses are paid on annual basis with reference to individual performance appraisals, inflation and prevailing market condition. Other benefits available to eligible employees include 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 employees of the Group are not unionised. 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 HK1.05 cents (30 June 2008: HK2.65 cents) per share for the six months ended 30 June 2009. The interim dividend will be distributed on or about 30 September 2009 to shareholders whose names appear on the Register of Members of the Company as at the close of business on 18 September 2009.

CLOSURE OF THE REGISTER OF MEMBERS

The Register of Members of the Company will be closed from 16 September 2009 to 18 September 2009, 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 14 September 2009.

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

The shares of the Company were listed on the Main Board of the Stock Exchange on 22 June 2009. Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities after listing.

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.

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 since the listing of the Company on the Main Board of the Stock Exchange on 22 June 2009 (being the first date of listing) to 30 June 2009 (the "Period"), 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 since the Company's listing on 22 June 2009.

AUDIT COMMITTEE

The Company established an audit committee on 29 May 2009 with written terms of reference which are in compliance with the code provisions of the 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 information and the interim report for the six months ended 30 June 2009.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 29 May 2009 with written terms of reference which are in compliance with the code provisions of the 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 remunenation committee consists of three members, namely, Mr. Sun Jian (Chairman), Ms. Shao Hanqing and Mr. Kong Hing Ki, all being independent non-executive Directors.

NOMINATION COMMITTEE

The Company established a nomination committee on 29 May 2009 with written terms of reference which are in compliance with paragraph A.4.5 of the 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 announcement has not been audited but has been reviewed by the Audit Committee of the Company.

PUBLICATION OF UNAUDITED INTERIM RESULTS

The Company's 2009 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, 27 August 2009

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.