

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 2012

INTERIM RESULTS

The board of directors (the “Board”) of Hing Lee (HK) Holdings Limited (the “Company”) announces the unaudited condensed consolidated interim results of the Company and its subsidiaries (the “Group”) for the six months ended 30 June 2012 with comparative figures for the corresponding period in 2011.

CONDENSED CONSOLIDATED INTERIM INCOME STATEMENT

		(Unaudited)	
		Six months ended	
		30 June	
	<i>Notes</i>	2012 <i>HK\$'000</i>	2011 <i>HK\$'000</i>
Turnover	3	282,026	231,939
Cost of sales		(234,280)	(171,972)
Gross profit		47,746	59,967
Other revenue		634	7,488
Selling and distribution expenses		(37,148)	(25,052)
Administrative expenses		(24,658)	(17,655)
Profit/(loss) from operations		(13,426)	24,748
Finance costs		(1,954)	(1,172)
Profit/(loss) before taxation	5	(15,380)	23,576
Taxation	6	(306)	(224)
Profit/(loss) for the period		(15,686)	23,352
Attributable to:			
Equity shareholders of the Company		(17,902)	22,713
Non-controlling interests		2,216	639
		(15,686)	23,352
Earnings/(losses) per share attributable to the equity holders of the Company (HK cents)	7		
– basic		(7.39)	9.83
– diluted		(7.34)	9.66
		<i>HK\$'000</i>	<i>HK\$'000</i>
Dividend	8	4,727	5,575

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF
COMPREHENSIVE INCOME**

	(Unaudited)	
	Six months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
Profit/(loss) for the period	(15,686)	23,352
Other comprehensive income/(loss)		
Fair value gains/(loss) on available-for-sale investments, net of tax	8	(436)
Currency translation differences	(1,277)	5,314
	<hr/>	<hr/>
Total comprehensive income/(loss) for the period	(16,955)	28,230
	<hr/> <hr/>	<hr/> <hr/>
Total comprehensive income/(loss) attributable to		
– equity shareholders of the Company	(19,171)	27,591
– non-controlling interests	2,216	639
	<hr/>	<hr/>
	(16,955)	28,230
	<hr/> <hr/>	<hr/> <hr/>

CONDENSED CONSOLIDATED INTERIM FINANCIAL POSITION

		As at 30 June 2012 <i>HK\$'000</i> (Unaudited)	As at 31 December 2011 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
Non-current assets			
Property, plant and equipment	9	282,329	266,997
Prepaid lease payments	9	48,959	49,791
Goodwill	10	52,120	52,120
Available-for-sale investments	11	52	44
		383,460	368,952
Current assets			
Prepaid lease payments	9	1,112	1,119
Inventories		107,505	111,442
Trade debtors and bills receivable	12	52,187	47,019
Prepayments, deposits and other receivables		65,493	73,709
Restricted bank deposits		7,815	10,757
Cash and cash equivalents		83,316	123,630
		317,428	367,676
Current liabilities			
Trade creditors and bills payable	13	137,851	131,914
Other payables and accrued charges		54,981	69,389
Secured bank loans	14	120,914	124,904
Current taxation		857	2,721
		314,603	328,928
Net current assets		2,825	38,748
Net assets		386,285	407,700
Capital and reserves			
Share capital	15	2,424	2,424
Reserves		373,256	396,887
Total equity attributable to equity shareholders of the Company		375,680	399,311
Non-controlling interests		10,605	8,389
Total equity		386,285	407,700

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Unaudited)
Attributable to equity shareholders of the Company

		Share capital	Share premium	Exchange reserve	Statutory reserve fund	Merger reserve	Fair value reserve	Share option reserve	Capital reserve	Retained profits	Total	Non-controlling interest	Total equity
Note		HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		2,060	83,623	28,345	8,765	25,430	2,573	5,875	(6,486)	150,877	301,062	-	301,062
		-	-	-	-	-	-	-	-	22,713	22,713	639	23,352
		-	-	-	-	-	(436)	-	-	-	(436)	-	(436)
		-	-	5,314	-	-	-	-	-	-	5,314	-	5,314
		<u>-</u>	<u>-</u>	<u>5,314</u>	<u>-</u>	<u>-</u>	<u>(436)</u>	<u>-</u>	<u>-</u>	<u>22,713</u>	<u>27,591</u>	<u>639</u>	<u>28,230</u>
	17	364	57,882	-	-	-	-	-	-	-	58,246	4,084	62,330
		-	-	-	1	-	-	-	-	(1)	-	-	-
		-	-	-	-	-	-	1,489	-	-	1,489	-	1,489
	8	-	-	-	-	-	-	-	-	(7,757)	(7,757)	-	(7,757)
		<u>2,424</u>	<u>141,505</u>	<u>33,659</u>	<u>8,766</u>	<u>25,430</u>	<u>2,137</u>	<u>7,364</u>	<u>(6,486)</u>	<u>165,832</u>	<u>380,631</u>	<u>4,723</u>	<u>385,354</u>
		2,424	141,505	40,452	9,597	25,430	(5)	8,263	(6,486)	178,131	399,311	8,389	407,700
		-	-	-	-	-	-	-	-	(17,902)	(17,902)	2,216	(15,686)
		-	-	-	-	-	8	-	-	-	8	-	8
		-	-	(1,277)	-	-	-	-	-	-	(1,277)	-	(1,277)
		<u>-</u>	<u>-</u>	<u>(1,277)</u>	<u>-</u>	<u>-</u>	<u>8</u>	<u>-</u>	<u>-</u>	<u>(17,902)</u>	<u>(19,171)</u>	<u>2,216</u>	<u>(16,955)</u>
		-	-	-	(78)	-	-	-	-	78	-	-	-
		-	-	-	-	-	-	267	-	-	267	-	267
	8	-	-	-	-	-	-	-	-	(4,727)	(4,727)	-	(4,727)
		<u>2,424</u>	<u>141,505</u>	<u>39,175</u>	<u>9,519</u>	<u>25,430</u>	<u>3</u>	<u>8,530</u>	<u>(6,486)</u>	<u>155,580</u>	<u>375,680</u>	<u>10,605</u>	<u>386,285</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended	
	30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(14,533)	(2,689)
Net cash used in investing activities	(19,941)	(44,486)
Net cash generated from/(used in) financing activities	(8,266)	4,509
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(42,740)	(42,666)
Effect of foreign exchange rate changes	2,426	(5,565)
Cash and cash equivalents at the beginning of the period	<hr/> 123,630 <hr/>	<hr/> 131,662 <hr/>
Cash and cash equivalents at the end of the period	<hr/> 83,316 <hr/> <hr/>	<hr/> 83,431 <hr/> <hr/>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<hr/> 83,316 <hr/> <hr/>	<hr/> 83,431 <hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

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, 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 of directors of the Company (the “Board”) for issue on 24 August 2012.

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 2012 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 2011, 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 1st January, 2012. 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 revenue and profit information regarding the Group’s operating segments for the unaudited six months ended 30 June 2012 and 30 June 2011, respectively:

	2012				2011			
	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	156,686	125,340	-	282,026	194,463	37,476	-	231,939
Interest income	-	-	81	81	-	-	135	135
Interest expenses	-	-	1,954	1,954	-	-	1,172	1,172
Depreciation and amortisation	4,997	1,010	-	6,007	2,064	696	-	2,760
Reportable segment profit/(loss)	(17,295)	3,966	-	(13,329)	16,949	2,059	-	19,008

The following table presents segment assets of the Group’s operating segments as at 30 June 2012 and 31 December 2011.

	2012				2011			
	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	552,428	88,055	60,405	700,888	484,073	63,492	189,063	736,628

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

	(Unaudited)	
	Six months ended	
	30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue		
Reportable segment revenue	283,346	232,807
Elimination of intersegment revenue	(1,320)	(868)
	<hr/>	<hr/>
Consolidated revenue	282,026	231,939
	<hr/> <hr/>	<hr/> <hr/>
Profit or loss		
Reportable segment profit/(loss)	(13,329)	19,008
Other income	634	7,488
Unallocated amounts:		
Interest expense	(1,954)	(1,172)
Other head office and corporate expenses	(731)	(1,748)
	<hr/>	<hr/>
Consolidated profit/(loss) before taxation	(15,380)	23,576
	<hr/> <hr/>	<hr/> <hr/>
	As of	As at
	30 June	31 December
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Assets		
Total assets for reportable segments	640,483	547,565
Available-for sales investments*	52	44
Unallocated head office and corporate assets	60,353	189,019
	<hr/>	<hr/>
Consolidated total assets	700,888	736,628
	<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 delivered. The geographical location of the specified non-current assets is based on the physical location of the assets.

Revenue from external customers

	(Unaudited)	
	Six months ended	
	30 June	
	2012	2011
	HK\$'000	HK\$'000
Asia (excluding the People's Republic of China ("PRC"))*	81,140	75,072
Europe	1,610	6,454
PRC	194,762	142,614
Others	4,514	7,799
	<hr/> 282,026 <hr/>	<hr/> 231,939 <hr/>

Specified non-current assets

	As at	As at
	30 June	31 December
	2012	2011
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Asia (excluding the People's Republic of China ("PRC"))*	1,610	1,823
PRC	381,850	367,085
	<hr/> 383,460 <hr/>	<hr/> 368,908 <hr/>

* Asia mainly covers Japan, Taiwan, South Korea, 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
	1,500,000 [*]	1.8000	05/05/2012 to 04/05/2014
	1,500,000 [*]	1.8000	01/01/2013 to 04/05/2014
Options granted to	3,746,675	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
	500,000 [*]	1.8000	05/05/2012 to 04/05/2014
	500,000 [*]	1.8000	01/01/2013 to 04/05/2014
Total number of shares subject to the share options	24,992,020		

[#] 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.

^{*} 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 2012, the fair value of share options granted of HK\$267,446 (six months ended 30 June 2011: HK\$1,489,576) 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	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
After charging		
Auditor's remuneration	400	400
Cost of inventories sold	234,280	173,698
Staff costs (including Directors' emoluments)		
– Directors' emoluments	1,415	2,016
– others	51,656	36,988
Depreciation	6,007	2,760
Amortisation of prepaid land lease payments	556	545
Net exchange loss (gain)	1,648	(1,073)
	<u> </u>	<u> </u>
After crediting		
Interest income	81	135
	<u> </u>	<u> </u>

6. TAXATION

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

Current income tax

	(Unaudited)	
	Six months ended	
	30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	–	–
– PRC enterprise income tax	306	224
	<u> </u>	<u> </u>
	<u>306</u>	<u>224</u>

(i) The provision for Hong Kong profits tax for the six months ended 30 June 2012 is calculated at 16.5% (six months ended 30 June 2011: 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 2012 (2011: 25%)

Shenzhen Xingli Furniture Company Limited was subject to the PRC EIT rate of 25% in 2012 (2011: 24%).

Shenzhen Xingli Zundian Furniture Company Limited, was subject to the PRC EIT rate of 25% in 2012 (2011: 24%).

The tax rate for Shenzhen Oulo Furniture Company Limited was 12.5% in 2012 (2011: 12%).

- (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

The potential unaudited deferred tax asset of HK\$1,500,195 (As at 30 June 2011: HK\$2,715,000) relating to tax losses available for carry forward and other timing differences as at 30 June 2012 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 2012, the Group has unrecognised deferred tax liabilities of HK\$3,575,000 (30 June 2011: HK\$3,794,000) in relation to withholding tax on undistributed earnings of HK\$71,496,000 (30 June 2011: HK\$63,104,000) 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 2011: 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 loss per share for the six months ended 30 June 2012 is based on the loss attributable to equity shareholders of the Company of HK\$17,902,000 (six months ended 30 June 2011: profit of HK\$22,713,000) and the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2012 of 242,398,675 (six months ended 30 June 2011: 231,135,559 ordinary shares).

(b) Diluted earnings/(losses) per share

The calculation of diluted loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$17,902,000 (six months ended 30 June 2011: profit of HK\$22,713,000) and the weighted average number of ordinary shares (diluted) of 243,853,454 shares, calculated as follows:

	(Unaudited)	
	2012	2011
	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares at 30 June	242,398,675	231,135,559
Effect of dilutive potential ordinary shares arising from share options	1,454,779	3,897,877
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(losses) per share	243,853,454	235,033,436
	<hr/> <hr/>	<hr/> <hr/>

8. DIVIDEND

In May 2012, the final dividend in respect of the financial year ended 31 December 2011 of HK1.95 cents (31 December 2010: 3.20 cents) per share totaling HK\$4,726,800 (31 December 2010: HK\$7,757,000) was paid to shareholders.

The Board does not recommend the payment of an interim dividend in respect of the six months ended 30 June 2012 (six months ended 30 June 2011: HK2.3 cents).

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 2012		
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/>
Net book value as at 30 June 2012	282,329	50,071
	<hr/> <hr/>	<hr/> <hr/>
Six month ended 30 June 2011		
Net book value as at 1 January 2011	163,214	49,569
Exchange realignment	3,798	1,151
Acquisition of a subsidiary (<i>Note 17</i>)	3,811	–
Additions	46,630	–
Depreciation and amortization	(2,760)	(545)
	<hr/>	<hr/>
Net book value as at 30 June 2011	214,693	50,175
	<hr/> <hr/>	<hr/> <hr/>

10. GOODWILL

	30 June 2012 <i>HK\$'000</i> (Unaudited)	31 December 2011 <i>HK\$'000</i> (Audited)
Cost		
Balance at beginning of period	52,120	–
Acquisition through business combinations (<i>note 17</i>)	–	52,120
	<hr/>	<hr/>
Balance at end of period	52,120	52,120
	<hr/> <hr/>	<hr/> <hr/>
Impairment losses		
Balance at beginning of period	–	–
Impairment loss	–	–
	<hr/>	<hr/>
Balance at end of period	–	–
	<hr/> <hr/>	<hr/> <hr/>
Carrying amounts		
Balance at beginning of period	52,120	52,120
	<hr/>	<hr/>
Balance at end of period	52,120	52,120
	<hr/> <hr/>	<hr/> <hr/>

11. AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 June 2012 <i>HK\$'000</i> (Unaudited)	As at 31 December 2011 <i>HK\$'000</i> (Audited)
Listed equity-investments, at market value		
– Hong Kong	<u>52</u>	<u>44</u>

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 2012 <i>HK\$'000</i> (Unaudited)	As at 31 December 2011 <i>HK\$'000</i> (Audited)
Current	32,583	35,731
Less than 3 months past due	3,759	4,428
3 to 6 months	6,038	3,455
6 to 12 months	8,281	1,862
More than 12 months	1,526	1,543
	<u>52,187</u>	<u>47,019</u>

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 2012 <i>HK\$'000</i> (Unaudited)	As at 31 December 2011 <i>HK\$'000</i> (Audited)
Within 3 months	101,342	113,860
3 months to 1 year	36,341	16,070
Over 1 year	168	1,984
	<u>137,851</u>	<u>131,914</u>

14. SECURED BANK LOANS

Movements in secured bank loans is analysed as follows:

	(Unaudited) <i>HK\$'000</i>
Six months ended 30 June 2012	
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)
	<u>120,914</u>
Closing amount as at 30 June 2012	<u><u>120,914</u></u>
Six months ended 30 June 2011	
Opening amount as at 1 January 2011	83,956
Exchange realignment	818
Proceeds from new secured bank loans	39,657
Repayment of secured bank loans	(29,300)
	<u>95,131</u>
Closing amount as at 30 June 2011	<u><u>95,131</u></u>

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 2012, none of the covenants relating to drawn down facilities had been breached (31 December 2011: Nil).

15. SHARE CAPITAL

	(Unaudited)		(Audited)	
	30 June 2012		31 December 2011	
	Number of	Amount	Number of	Amount
<i>Note</i>	ordinary	HK\$'000	ordinary	HK\$'000
	shares of		shares of	
	HK\$0.01 each		HK\$0.01 each	
Authorized:				
Ordinary shares of HK\$0.01 each	<u>1,000,000,000</u>	<u>10,000</u>	<u>1,000,000,000</u>	<u>10,000</u>
Issued and fully paid:				
Beginning of period/year	<u>242,398,675</u>	<u>2,424</u>	<u>205,994,675</u>	<u>2,060</u>
Acquisition of a subsidiary (i)	17 <u>–</u>	<u>–</u>	<u>36,404,000</u>	<u>364</u>
At the end of the period/year	<u><u>242,398,675</u></u>	<u><u>2,424</u></u>	<u><u>242,398,675</u></u>	<u><u>2,424</u></u>

Notes:

- (i) Pursuant to the sales and purchase agreement dated 31 March 2011 entered into between the Group and an independent vendor, 36,404,000 shares of HK\$0.01 each were issued by the Company as consideration for the acquisition of Astromax Investment Limited. The 36,404,000 shares were issued upon completion of the acquisition at the closing market price of HK\$1.6 at the date of acquisition. (Note 17).

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

16. CAPITAL COMMITMENTS

	As at 30 June 2012 HK\$'000 (Unaudited)	As at 31 December 2011 HK\$'000 (Audited)
Contracted but not provided for:		
– Construction of factory building	11,013	95,132
– Acquisition of property, plant and equipment	3,873	4,754
	14,886	99,886
Authorised but not contracted for:		
– Construction of factory building	58,145	117,974
– Acquisition of property, plant and equipment	–	7,484
	58,145	125,458

17. BUSINESS COMBINATIONS

On 5 May 2011, the Group acquired 60% of the equity interest of 深圳歐羅家具有限公司 (Shenzhen Oulo Furniture Company Limited) (“Oulo”), through acquisition of 60% of the issued share capital of its ultimate holding company, Astromax Investment Limited (“Astromax”), which indirectly holds 100% equity interest in Oulo through its immediate holding company, City Leading Limited (the “Target Group”).

Astromax is a company incorporated in the British Virgin Islands on 2 July 2009 with limited liability. The principal business is investment holding and its principal asset as at the date hereof is its 100% shareholding in City Leading Limited (“City Leading”), which is an investment holding company holding 100% equity interest in Oulo. Both of Astromax and City Leading have not commenced any business activity save for the investment holding activity for forming the structure of the Target Group and therefore had not recorded any turnover.

Oulo is a wholly foreign-owned enterprise established in the PRC on 12 October 2005. It is principally engaged in the manufacture and sale of sofas to overseas and in the PRC.

The acquisition will be beneficial to the Group. The established sales network and customer base of Oulo can strengthen the sales network and introduce a new source of income, and will enable the Group to secure the supply and better control quality of the sofa products which complement its wooden furniture products.

The Group has elected to measure the non-controlling interest in the Target Group at the non-controlling interest's proportionate share of the Target Group's identifiable net assets.

The fair values of the Identifiable assets acquired and liabilities of the Target Group as at the date of acquisition were as follows:

	Fair value recognized on acquisition (Unaudited) HK\$'000
Property, plant and equipment	3,811
Inventories	8,616
Trade and other receivables	13,880
Cash and cash equivalents	2,122
Tax refundable	135
Trade and other payables	(18,354)
	<hr/>
Total identifiable net assets at fair value	10,210
Non-controlling interest	(4,084)
Goodwill	52,120
	<hr/>
Satisfied by issuance of shares (<i>Note 15</i>)	58,246
	<hr/> <hr/>

The goodwill of HK\$52,120,000 arises from a number of factors such as its sales network and industry know how, other important elements including expected synergies through combining a highly skilled workforce, product complementary and obtaining economies of scale.

None of the goodwill recognized is expected to be deductible for income tax purposes.

The fair value of trade and other receivables in the Target Group is HK\$13,880,000 and includes trade receivable with a fair value of HK\$10,974,000. The gross contractual amount for trade receivables due is HK\$11,166,000, of which HK\$192,000 is expected to be uncollectible.

The consideration for the acquisition was satisfied by the issue and allotment of 36,404,000 ordinary shares of HK\$0.01 each of the Company at the date of acquisition on 5 May 2011. The fair value of the consideration was HK\$58,246,400, being the fair value of the shares measured at the closing market price of HK\$1.60 on 5 May 2011. No adjustment on the consideration was made as the Profit Guarantee has been met.

No acquisition-related costs is charged to the consolidated income statement as all acquisition related costs is borne by the vendor.

An analysis of the cash flows in respect of the acquisition of the Target Group is as follow:

	<i>HK\$'000</i>
Cash and cash equivalents acquired	2,122
Net inflow of cash and cash equivalents included in cash flows from investing activities	2,122

18. CONTINGENT LIABILITIES

As at 30 June 2012, the Group and the Company had no significant contingent liabilities.

19. MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel compensation:

	(Unaudited)	
	Six months ended 30 June	
	2012	2011
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term benefits	2,796	2,779
Post-employment benefits	40	34
Share-based payments	201	917
	<u>3,037</u>	<u>3,730</u>

20. EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2012 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

The unfavourable environments brought by the Chinese Government's macroeconomic austerity measures, as well as various other unfavorable factors have been affecting the operations of the Group.

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.

In May 2011, the Group acquired a 60% equity stake in Astromax Investment Limited ("Astromax") and hence its indirect wholly owned subsidiary 深圳歐羅家具有限公司 (Shenzhen Oulo Furniture Company Limited) ("Oulo"), a sofa manufacturer. The established sales network and customer base of Oulo strengthen the sales network and introduce a new source of income to the Group, and enable the Group to secure the supply and better control quality of the sofa products which complement its wooden furniture products.

During the period under review, the Group recorded an increase of 21.6% in revenue over the same period in 2011. Such an increase was mainly attributable to the increase in sales volume of sofa products and modern furniture. The production capacities of the Group have been increased after commencement of operation of phase 2 of the Group's production plant in Shenzhen in the first quarter of 2012, to cope with the increasing sales volume.

PROFIT GUARANTEE

As disclosed in the announcement of the Company dated 31 March 2011, the Company and the purchaser (being a wholly-owned subsidiary of the Company) entered into an agreement with the Vendor and the Remaining Shareholders to acquire a total of 60% of the issued share capital in Astromax ("the Acquisition") and hence its subsidiaries (the "Astromax Group"). The Acquisition was completed in May 2011. Pursuant to the agreement in respect of the Acquisition, the Vendor has undertaken with the Purchaser that for the financial year ending 31 December 2011, the Net Profit shall not be less than HK\$12,000,000 ("Guaranteed Profit"). Any shortfall in relation to the Guaranteed Profit for the financial year ending 31 December 2011, the consideration for the acquisition shall be adjusted downwards by an amount equivalent to 1.5 times of the amount of the shortfall. In the event that the Net Profit is a negative figure, the consideration for the acquisition shall be adjusted downwards by an amount equivalent to the sum of HK\$18,000,000 and the absolute value of such negative figure. The amount of adjustment shall be paid by the Vendor to the purchaser by cashier order.

According to the audited financial statements prepared under the PRC Generally Accepted Accounting Principles for the year ended 31 December 2011, the Guaranteed Profit has been met, no shortfall thereof is noted.

FINANCIAL REVIEW

Turnover

The Group's turnover increased by approximately 21.6% from about HK\$231.9 million for the six months ended 30 June 2011 to HK\$282.0 million for the six months ended 30 June 2012. The increase in turnover during the period was due to the increases in both domestic sales and export sales of approximately HK\$9.6 million and HK\$40.5 million respectively. 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 contribution from the Group's sofa business acquired in 2011.

Gross Profit

During the period under review, the Group's gross profit margin decreased by 9 percentage point to 16.9% (six months ended 30 June 2011: 25.9%). The drop in the gross profit was a result of the following factors, firstly, the demand for Group's high price point classical furniture decreased, secondly, in order to strengthen our distributors position and hence the Group's sales network, the Group offered discount to our strategic distributors. Moreover, the prices of major raw materials (such as MDF board, ironware, paint and sponge) and the costs of transportation generally increased when compared with the corresponding period of 2011.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK\$37.1 million for the six months ended 30 June 2012, against about HK\$25.1 million for the six months ended 30 June 2011. The increase in selling and distribution expenses was a result of the increase in promotional costs, transportation costs and the general increase of expenses which were in line with the increase in turnover.

Administrative Expenses

For the six months ended 30 June 2012, the Group's administrative expenses were approximately HK\$24.7 million against about HK\$17.7 million for the six months ended 30 June 2011, representing an increase of about 39.7%. Such increase was mainly attributable to the increase in the staff costs and the general increase in other costs.

Loss for the Period

Loss attributable to equity holders of the Company for the Period was approximately HK\$17.9 million as compared to profit attributable to equity holders of the Company was approximately HK\$22.7 million for the corresponding period last year.

PROSPECT

Due to the prolonged impact of the global recession in 2011, China's economic growth further slowed down in the first half of 2012. As the macro-economic control policies of China have been proved to be effective, the business environment for the second half of 2012 will remain challenging due to factors such as greater competition and weak demand from downstream industries.

The Group will continue 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\$83.3 million as at 30 June 2012 (31 December 2011: HK\$123.6 million).

As at 30 June 2012, the Group's bank borrowings amounted to HK\$120.9 million (31 December 2011: HK\$124.9 million). As at the same date, the gearing ratio (total debt/total equity) was 0.81 (31 December 2011: 0.81).

As at 30 June 2012, the current ratio (current assets/current liabilities) was 1.0 time (31 December 2011: 1.1) and the net current assets amounted to HK\$2.8 million (31 December 2011: HK\$38.7 million).

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 2012, 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 2012, the Group employed approximately 1,800 employees (30 June 2011: approximately 1,790). Total staff cost, including Directors' emoluments, amounted to HK\$53.1 million (30 June 2011: HK\$39.0 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 2011: HK2.30 cents per share) for the six months ended 30 June 2012.

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

During the 6-month period ended 30 June 2012, 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 2012, the Company has complied with most of the code provisions set out in the Appendix 14 Corporate Governance Code (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 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 2012.

AUDIT COMMITTEE REVIEW

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

PUBLICATION OF UNAUDITED INTERIM REPORT

The Company's 2012 interim report will be 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, 24 August 2012

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.