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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 2014**

**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 2014 with comparative figures for the corresponding period in 2013.

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS**

**(Unaudited)**

**Six months ended 30 June**

	<i>Notes</i>	<b>2014</b>	<b>2013</b>
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>	3	<b>295,645</b>	292,616
Cost of sales		<b>(228,441)</b>	(233,320)
<b>Gross profit</b>		<b>67,204</b>	59,296
Other revenue		<b>2,993</b>	4,902
Selling and distribution expenses		<b>(29,367)</b>	(32,762)
Administrative expenses		<b>(24,871)</b>	(22,489)
<b>Profit from operations</b>		<b>15,959</b>	8,947
Finance costs		<b>(2,089)</b>	(2,972)
<b>Profit before taxation</b>	5	<b>13,870</b>	5,975
Taxation	6	<b>(177)</b>	(1,518)
<b>Profit for the period</b>		<b><u>13,693</u></b>	<b><u>4,457</u></b>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>13,116</b>	5,031
Non-controlling interests		<b>577</b>	(574)
		<b><u>13,693</u></b>	<b><u>4,457</u></b>
<b>Earnings per share attributable to the equity holders of the Company (HK cents)</b>	7		
– basic		<b>5.41</b>	2.08
– diluted		<b>5.32</b>	2.08
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Dividend</b>	8	<b><u>10,908</u></b>	<b><u>–</u></b>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS  
AND OTHER COMPREHENSIVE INCOME**

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit for the period</b>	<b>13,693</b>	4,457
<b>Other comprehensive income/(loss)</b>		
Items that may be reclassified subsequently to profit or loss		
Loss on fair value of available-for-sale investments, net of tax	(5)	(1)
Exchange differences on translation of financial statements of overseas subsidiaries (after tax)	(1,908)	3,745
	<u>11,780</u>	<u>8,201</u>
<b>Total comprehensive income for the period</b>	<b>11,780</b>	<b>8,201</b>
<b>Total comprehensive income attributable to</b>		
– equity shareholders of the Company	11,271	8,775
– non-controlling interests	509	(574)
	<u>11,780</u>	<u>8,201</u>

## CONDENSED CONSOLIDATED INTERIM FINANCIAL POSITION

		As at <b>30 June 2014</b>	As at 31 December 2013
	<i>Note</i>	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	<b>312,228</b>	316,929
Prepaid lease payments	9	<b>47,997</b>	49,033
Goodwill	10	<b>52,120</b>	52,120
Available-for-sale investments	11	<b>65</b>	70
		<b>412,410</b>	418,152
<b>Current assets</b>			
Prepaid lease payments	9	<b>1,143</b>	1,154
Inventories		<b>130,236</b>	120,381
Trade debtors and bills receivable	12	<b>50,847</b>	56,145
Prepayments, deposits and other receivables		<b>94,842</b>	72,139
Current tax recoverable		<b>77</b>	69
Pledged bank deposits		<b>16,171</b>	2,588
Cash and cash equivalents		<b>73,138</b>	98,563
		<b>366,454</b>	351,039
<b>Current liabilities</b>			
Trade creditors and bills payable	13	<b>228,727</b>	215,811
Other payables and accrued charges		<b>70,006</b>	79,167
Current portion of bank borrowings	14	<b>44,062</b>	52,166
Current taxation		<b>82</b>	551
		<b>342,877</b>	347,695
<b>Net current assets</b>		<b>23,577</b>	3,344
		<b>435,987</b>	421,496

		<b>As at 30 June 2014</b>	As at 31 December 2013
	<i>Note</i>	<i>HK\$'000</i> <b>(Unaudited)</b>	<i>HK\$'000</i> <b>(Audited)</b>
<b>Non-current liabilities</b>			
Other payable		<b>3,843</b>	3,881
Non-current portion of bank borrowings	14	<b>42,486</b>	43,626
		<u>46,329</u>	<u>47,507</u>
<b>Net assets</b>		<b><u>389,658</u></b>	<b><u>373,989</u></b>
<b>Capital and reserves</b>			
Share capital	15	<b>2,424</b>	2,424
Reserves		<b>377,696</b>	362,536
		<u>380,120</u>	<u>364,960</u>
<b>Total equity attributable to equity shareholders of the Company</b>		<b>380,120</b>	364,960
Non-controlling interests		<b>9,538</b>	9,029
		<u>389,658</u>	<u>373,989</u>
<b>Total equity</b>		<b><u>389,658</u></b>	<b><u>373,989</u></b>

# 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	Share option reserve	Fair value reserve	Capital reserve	Retained profits	Total	Non-controlling interest	Total equity
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2013</b>	2,424	141,505	40,203	9,597	25,430	8,798	13	(6,486)	132,884	354,368	7,483	361,851
Profit 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-based transactions	-	-	-	-	-	-	-	-	-	-	-	-
Dividends relating to 2012 paid in 2013	-	-	-	-	-	-	-	-	-	-	-	-
<b>At 30 June 2013</b>	<u>2,424</u>	<u>141,505</u>	<u>43,948</u>	<u>9,597</u>	<u>25,430</u>	<u>8,798</u>	<u>12</u>	<u>(6,486)</u>	<u>137,915</u>	<u>363,143</u>	<u>6,909</u>	<u>370,052</u>
<b>At 1 January 2014</b>	2,424	141,505	46,246	9,869	25,430	5,152	15	(6,486)	140,805	364,960	9,029	373,989
Profit for the period 2014	-	-	-	-	-	-	-	-	13,116	13,116	577	13,693
Fair value change on available for sale investments recognised as Other Comprehensive Income	-	-	-	-	-	-	(5)	-	-	(5)	-	(5)
Currency transaction differences	-	-	(1,840)	-	-	-	-	-	-	(1,840)	(68)	(1,908)
<b>Total comprehensive income for the period ended 30 June 2014</b>	-	-	(1,840)	-	-	-	(5)	-	13,116	11,271	509	11,780
Transfer from retained profits	-	-	-	703	-	-	-	-	(703)	-	-	-
Equity-settled share-based transactions	-	-	-	-	-	3,889	-	-	-	3,889	-	3,889
Transfer on lapse of share options	-	-	-	-	-	(5,152)	-	-	5,152	-	-	-
Dividends relating to 2013 paid in 2014	-	-	-	-	-	-	-	-	-	-	-	-
<b>At 30 June 2014</b>	<u>2,424</u>	<u>141,505</u>	<u>44,406</u>	<u>10,572</u>	<u>25,430</u>	<u>3,889</u>	<u>10</u>	<u>(6,486)</u>	<u>158,370</u>	<u>380,120</u>	<u>9,538</u>	<u>389,658</u>

**CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS****(Unaudited)****Six months ended 30 June****2014****2013*****HK\$'000******HK\$'000***

<b>Net cash generated from/(used in) operating activities</b>	<b>1,739</b>	<b>(3,922)</b>
<b>Net cash used in investing activities</b>	<b>(22,148)</b>	<b>(140)</b>
<b>Net cash used in financing activities</b>	<b>(8,676)</b>	<b>(36,555)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(29,085)</b>	<b>(40,617)</b>
<b>Effect of foreign exchange rate changes</b>	<b>3,660</b>	<b>1,569</b>
Cash and cash equivalents at the beginning of the period	<b>98,563</b>	<b>93,392</b>
Cash and cash equivalents at the end of the period	<b>73,138</b>	<b>54,344</b>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<b>73,138</b>	<b>54,344</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 The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda. The principal place of business of the Company is located at Unit 1101, 11th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong.

The principal business activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture, sofa, mattresses 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 25 August 2014.

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 2014 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 2013, 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 2014. 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 2014 and 30 June 2013, respectively:

	2014				2013			
	Panel- Furniture HK\$'000	Upholstered Furniture HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000	Panel- Furniture HK\$'000	Upholstered Furniture HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Revenue from external customers	239,285	56,360	-	295,645	221,666	70,950	-	292,616
Inter-segment	-	2,009	-	2,009	-	2,570	-	2,570
Reportable segment revenue	<u>239,285</u>	<u>58,369</u>	<u>-</u>	<u>297,654</u>	<u>221,666</u>	<u>73,520</u>	<u>-</u>	<u>295,186</u>
Interest income	-	-	152	152	-	-	1,562	1,562
Interest expenses	-	-	2,089	2,089	-	-	2,972	2,972
Depreciation and amortisation	8,292	1,026	-	9,318	7,337	960	-	8,297
Reportable segment profit/(loss)	19,645	509	-	20,154	5,547	(962)	-	4,585

The following table presents segment assets of the Group’s operating segments as at 30 June 2014 and 31 December 2013.

	2014				2013			
	Panel- Furniture HK\$'000	Upholstered Furniture HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000	Panel- Furniture HK\$'000	Upholstered Furniture HK\$'000	Unallocated HK\$'000	Consolidated HK\$'000
Reportable segment assets	649,851	69,167	59,846	778,864	636,413	83,156	49,622	769,191
Reportable segment liabilities	350,618	33,580	5,008	389,206	359,941	27,989	7,272	395,202

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

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Revenue</b>		
Reportable segment revenue	<b>297,654</b>	295,186
Elimination of inter-segment revenue	<b>(2,009)</b>	(2,570)
	<hr/>	<hr/>
Consolidated revenue	<b>295,645</b>	292,616
	<hr/> <hr/>	<hr/> <hr/>
<b>Profit or loss</b>		
Reportable segment profit	<b>20,154</b>	4,585
Other income	<b>2,993</b>	4,902
Unallocated amounts:		
Interest expense	<b>(2,089)</b>	(2,971)
Other head office and corporate expenses	<b>(7,188)</b>	(540)
	<hr/>	<hr/>
Consolidated profit before taxation	<b>13,870</b>	5,975
	<hr/> <hr/>	<hr/> <hr/>
	<b>As of</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
<b>Assets</b>		
Total assets for reportable segments	<b>719,018</b>	719,569
Available-for sales investments*	<b>65</b>	70
Current tax recoverable	<b>77</b>	69
Unallocated head office and corporate assets	<b>59,704</b>	49,483
	<hr/>	<hr/>
Consolidated total assets	<b>778,864</b>	769,191
	<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**

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Asia (excluding the People's Republic of China ("PRC"))*	<b>71,722</b>	98,338
Europe	<b>7,250</b>	7,796
PRC	<b>184,030</b>	158,254
The United States of America	<b>26,071</b>	22,165
Others	<b>6,572</b>	6,063
	<b>295,645</b>	292,616

**Specified non-current assets**

	<b>As at</b>	<b>As at</b>
	<b>30 June</b>	<b>31 December</b>
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Asia (excluding the PRC)	<b>536</b>	791
PRC	<b>411,809</b>	417,291
	<b>412,345</b>	418,082

\* Asia mainly covers Japan, Taiwan, South Korea, Middle East and Southeast Asia; Europe mainly covers Ukraine, France, Georgia and Germany; and others mainly cover Canada, Africa and South America.

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

The estimate of the fair value of the share options granted is measured based on the binomial lattice model as at the date of grant. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the model.

No share options were exercised during the period under review. The fair value of the share options granted during the period was HK\$6,100,000 (six months ended 30 June 2013: HK\$Nil). The Group recognised a share option expense of HK\$3,888,000 (six months ended 30 June 2013: HK\$Nil) for the period ended 30 June 2014.

#### 5 PROFIT BEFORE TAXATION

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

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>After charging</b>		
(a) <b>Finance cost</b>		
Interest on borrowings	2,089	2,972
	<u>2,089</u>	<u>2,972</u>
(b) <b>Other items</b>		
Auditor's remuneration	465	400
Cost of inventories sold	228,440	233,320
Staff costs (including Directors' emoluments)		
– Directors' emoluments	1,840	1,217
– others	65,724	62,907
Depreciation	8,745	8,298
Amortisation of prepaid land lease payments	573	564
Net exchange loss (gain)	(950)	1,62
	<u>(950)</u>	<u>1,62</u>
<b>After crediting</b>		
Interest income	152	1,562
	<u>152</u>	<u>1,562</u>

## 6 TAXATION

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

	(Unaudited)	
	Six months ended 30 June	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– Hong Kong profits tax	–	1,129
– PRC enterprise income tax	<u>177</u>	<u>389</u>
	<u><u>177</u></u>	<u><u>1,518</u></u>

- (i) The provision for Hong Kong profits tax for the six months ended 30 June 2014 is calculated at 16.5% (six months ended 30 June 2013: 16.5%) of the estimated assessable profits for each respective period.
- (ii) The subsidiaries in the PRC are subject to a standard enterprise income tax rate of 25% for the six months ended 30 June 2014 (six months ended 30 June 2013: 25%).
- (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 2014, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$83,366,000 (30 June 2013: HK\$81,182,000) 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\$71,517,000 (30 June 2013: HK\$66,583,000) will expire within 5 years and the remaining tax losses of HK\$11,849,000 (30 June 2013: HK\$14,599,000) have no expiry date under the current tax legislation.

At 30 June 2014, the Group has unrecognised deferred tax liabilities of HK\$2,524,000 (30 June 2013: HK\$2,271,000) in relation to withholding tax on undistributed earnings of HK\$50,483,000 (30 June 2013: HK\$45,420,000) due to the retention of undistributed earnings by the Group's subsidiaries in the PRC determined by the Directors.

The Company does not have any material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements (30 June 2013: Nil), and therefore, no provision for deferred tax has been made.

## 7 EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2014 is based on the earning attributable to equity shareholders of the Company of HK\$13,135,000 (six months ended 30 June 2013: earnings of HK\$5,031,000) and the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2014 of 242,398,675 (six months ended 30 June 2013: 242,398,675 ordinary shares).

### (b) Diluted earnings per share

The calculation of diluted earning per share is based on the earning attributable to ordinary equity shareholders of the Company of HK\$13,116,000 (six months ended 30 June 2013: earnings of HK\$5,031,000) and the weighted average number of ordinary shares (diluted) of 246,757,649 shares, calculated as follows:

	(Unaudited)	
	2014	2013
	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares at 30 June	242,398,675	242,398,675
Effect of dilutive potential ordinary shares arising from share options	4,358,974	–
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	<u>246,757,649</u>	<u>242,398,675</u>

## 8 INTERIM DIVIDEND

	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend proposed – 1.4 HK cents per share (2013: Nil)	3,394	–
Special dividend proposed – 3.1 HK cents per share (2013: Nil)	7,514	–
	<hr/>	<hr/>
	<u>10,908</u>	<u>–</u>

The Board has declared an interim dividend of HK1.4 cents (six months ended 30 June 2013: Nil) and a special dividend of HK3.1 cents (six months ended 30 June 2013: Nil) per share for the six months ended 30 June 2014 payable on 22 September 2014 to shareholders whose names appear on the register of members of the Company as at the close of business on 15 September 2014. These condensed consolidated interim financial statements have not reflected the dividend payable.

**9 PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS**

	<b>Property, plant and equipment</b> <i>HK\$'000</i> (Unaudited)	<b>Prepaid lease payments</b> <i>HK\$'000</i> (Unaudited)
<b>Six month ended 30 June 2014</b>		
Net book value as at 1 January 2014	<b>316,929</b>	<b>50,187</b>
Exchange realignment	<b>(2,981)</b>	<b>(474)</b>
Additions	<b>7,040</b>	–
Disposal	<b>(15)</b>	–
Depreciation and amortization	<b>(8,745)</b>	<b>(573)</b>
	<hr/>	<hr/>
<b>Net book value as at 30 June 2014</b>	<b>312,228</b>	<b>49,140</b>
	<hr/> <hr/>	<hr/> <hr/>
<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/>	<hr/> <hr/>

**10 GOODWILL**

	<b>30 June 2014</b> <i>HK\$'000</i> (Unaudited)	31 December 2013 <i>HK\$'000</i> (Audited)
<b>Cost</b>		
Balance at beginning and end of period	<b>52,120</b>	52,120
	<hr/> <hr/>	<hr/> <hr/>
<b>Impairment losses</b>		
Balance at beginning and end of period	–	–
	<hr/> <hr/>	<hr/> <hr/>
<b>Carrying amounts</b>		
Balance at beginning and end of period	<b>52,120</b>	52,120
	<hr/> <hr/>	<hr/> <hr/>

## 11 AVAILABLE-FOR-SALE INVESTMENTS

	As at 30 June 2014 <i>HK\$'000</i> (Unaudited)	As at 31 December 2013 <i>HK\$'000</i> (Audited)
Listed equity-investments, at market value		
– Hong Kong	<u>65</u>	<u>70</u>

## 12 TRADE DEBTORS AND BILLS RECEIVABLE

The ageing analysis of trade debtors and bills receivable based on invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts as of the reporting date is as follows:

	As at 30 June 2014 <i>HK\$'000</i> (Unaudited)	As at 31 December 2013 <i>HK\$'000</i> (Audited)
Within 3 months	24,234	47,041
3 to 6 months	1,255	4,355
6 to 9 months	2,888	4,170
9 months to 1 year	22,470	198
Over 1 year	–	381
	<u>50,847</u>	<u>56,145</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 2014 <i>HK\$'000</i> (Unaudited)	As at 31 December 2013 <i>HK\$'000</i> (Audited)
Within 3 months	171,308	141,913
3 months to 1 year	57,419	71,884
Over 1 year	–	2,014
	<u>228,727</u>	<u>215,811</u>



## 14 SECURED BANK LOANS

Movements in secured bank loans is analysed as follows:

	<b>(Unaudited)</b> <i>HK\$'000</i>
<b>Six months ended 30 June 2014</b>	
Opening amount as at 1 January 2014	95,792
Exchange realignment	(565)
Proceeds from new secured bank loans	12,598
Repayment of secured bank loans	(21,277)
	<u>86,548</u>
Closing amount as at 30 June 2014	<u><u>86,548</u></u>
<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)
	<u>78,227</u>
Closing amount as at 30 June 2013	<u><u>78,227</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 2014, none of the covenants relating to drawn down facilities had been breached (31 December 2013: Nil).

## 15 SHARE CAPITAL

	<b>(Unaudited)</b>		<b>(Audited)</b>	
	<b>30 June 2014</b>		<b>31 December 2013</b>	
	<b>Number of</b>		<b>Number of</b>	
	<b>ordinary</b>		<b>ordinary</b>	
	<b>shares of</b>	<b>Amount</b>	<b>shares of</b>	<b>Amount</b>
<i>Note</i>	<b>HK\$0.01 each</b>	<b>HK\$'000</b>	<b>HK\$0.01 each</b>	<b>HK\$'000</b>
<b>Authorized:</b>				
Ordinary shares of HK\$0.01 each	<u><b>1,000,000,000</b></u>	<u><b>10,000</b></u>	<u>1,000,000,000</u>	<u>10,000</u>
<b>Issued and fully paid:</b>				
Beginning of period/year	<u>242,398,675</u>	<u>2,424</u>	<u>242,398,675</u>	<u>2,424</u>
At the end of the period/year	<u><b>242,398,675</b></u>	<u><b>2,424</b></u>	<u>242,398,675</u>	<u>2,424</u>

## 16 FAIR VALUES OF FINANCIAL INSTRUMENTS

### Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

	The Group							
	Fair value measurements as at 30 June 2014 categorised into				Fair value measurements as at 31 December 2013 categorised into			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets								
Recurring fair value measurements								
Available-for-sale investments	65	-	-	65	70	-	-	70

## 17 CAPITAL COMMITMENTS

	As at 30 June 2014 HK\$'000 (Unaudited)	As at 31 December 2013 HK\$'000 (Audited)
Contracted but not provided for:		
– Construction of factory building	48,286	53,615
– Acquisition of property, plant and equipment	341	1,057
	<b>48,627</b>	<b>54,672</b>
Authorised but not contracted for:		
– Construction of factory building	120,493	121,646
– Acquisition of property, plant and equipment	7,644	7,717
	<b>128,137</b>	<b>129,363</b>

## 18 CONTINGENT LIABILITIES

As at 30 June 2014, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of bank borrowings utilised by the subsidiaries as of 30 June 2014 amounted to HK\$22,800,000 (31 December 2013: HK\$36,140,000).

## 19 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel compensation:

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2014</b>	<b>2013</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Salaries and other short-term benefits	<b>2,800</b>	2,802
Post-employment benefits	<b>49</b>	49
Share-based payments	<b>888</b>	–
	<b>3,737</b>	<b>2,851</b>

## 20 EVENTS AFTER THE REPORTING PERIOD

The Board proposes for a bonus issue of shares on the basis of 2 bonus shares for every 1 existing share held by the shareholders whose names appear on the register of members of the Company on a record date to be announced by the Company, subject to the shareholders' approval at the forthcoming special general meeting.

Further details of the bonus issues (including its timetable and record date) will be disclosed in a further announcement and a circular to be dispatched to the shareholders in due course.

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

The global economic conditions remained volatile and complicated in the six months period ended 30 June 2014. Overseas demand for consumer products was dampened and in turn demands for our products were also affected. 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. The Group has actively strived to meet market demand by adjusting its product mix, strengthening its research and development capabilities, and diversifying its product offerings. During the period under review, impressive sales growth was achieved in the China market as a result of the stable economic growth in the China market and the continuous effort of the Group.

For internal operations, the Group has further enhanced operating efficiency through optimizing performance of its management and employees and consolidating some business units during the period under review, as a result, the Group recorded a substantial increase in profitability.

### **FINANCIAL REVIEW**

#### *Turnover*

The Group's turnover increased by approximately 1.0% from about HK\$292.6 million for the six months ended 30 June 2013 to HK\$295.6 million for the six months ended 30 June 2014. The increase in turnover during the period was due to the increases in domestic sales. The increase in the domestic sales during the period was a result of the Group's continuous effort in expansion in its sales network in 3rd and 4th tier cities, and the improvement in the group's product mix to accommodate the needs of different customers.

#### *Gross Profit*

During the period under review, the Group's gross profit margin increased by 2.4 percentage point to 22.7% (six months ended 30 June 2013: 20.3%). The improvement in the gross profit was a result of increase in price of our modern furniture and improvement in our product mix.

#### *Selling and Distribution Expenses*

The Group's selling and distribution expenses amounted to about HK\$29.4 million for the six months ended 30 June 2014, against about HK\$32.8 million for the six months ended 30 June 2013. 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 2014, the Group's administrative expenses were approximately HK\$24.9 million against about HK\$22.5 million for the six months ended 30 June 2013, representing an increase of about 10.7%. Such increase was mainly attributable to the increase in staff costs during the period under review.

### *Profit for the Period*

Profit attributable to equity shareholders of the Company surged by approximately 161.1% from approximately HK\$5.0 million for the six months ended 30 June 2013 to approximately HK\$13.1 million for the six months ended 30 June 2014, and the net profit ratio increased from 1.7% to 4.4%.

## **PROSPECT**

For the second half of 2014, macro-economic uncertainty and the risk of a slower economic growth are still factors to reckon with. We hold a belief that investments in brand building, right product mix 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 to 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\$73.1 million as at 30 June 2014 (31 December 2013: HK\$98.6 million).

As at 30 June 2014, the Group's bank borrowings amounted to HK\$86.5 million (31 December 2013: HK\$95.8 million). As at the same date, the gearing ratio (total debt/total equity) was 1.0 (31 December 2013: 1.1).

As at 30 June 2014, the current ratio (current assets/current liabilities) was 1.1 time (31 December 2013: 1.0) and the net current assets amounted to HK\$23.6 million (31 December 2013: HK\$3.3 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 interim 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 2014, the Group's banking facilities which were secured by (i) a letter of undertaking over the Group's construction in progress and buildings; (ii) legal charges over the Group's medium-term leasehold land outside Hong Kong; (iii) deed of charge over receivables of HK\$3 million; (iv) an assignment of export credit insurance corporation policies of HK\$5 million; (v) pledged bank deposits of approximately HK\$16.2 million and (vi) guarantees from the Government of the HKSAR under the Special Loan Guarantee Scheme and the SME Loan Guarantee Scheme.

## **EMPLOYEES**

As at 30 June 2014, the Group employed approximately 1,750 employees (30 June 2013: approximately 1,840). Total staff cost, including Directors' emoluments, amounted to HK\$67.6 million (30 June 2013: HK\$64.1 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 AND PROPOSED BONUS ISSUE**

The Board has declared an interim dividend of HK1.4 cents (six months ended 30 June 2013: Nil) and a special dividend of HK3.1 cents (six months ended 30 June 2013: Nil) per share for the six months ended 30 June 2014 payable on 22 September 2014 to shareholders whose names appear on the register of members of the Company as at the close of business on 15 September 2014.

The Board also proposes for a bonus issue of shares on the basis of 2 bonus shares for every 1 existing share held by the shareholders whose names appear on the register of members of the Company on a record date to be announced by the Company, subject to the shareholders' approval at the forthcoming special general meeting.

Further details of the bonus issues (including its timetable and record date) will be disclosed in a further announcement and a circular to be dispatched to the shareholders in due course.

## **CLOSURE OF THE REGISTER OF MEMBERS**

The register of members of the Company will be closed from 11 September 2014 to 15 September 2014, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim and special 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 no later than 4:30 p.m. on 10 September 2014.

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

During the 6-month period ended 30 June 2014, 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 2014, the Company has complied with Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 of the Listing Rules on the Stock Exchange except for the following deviation:

### *Code provision A.2.1*

Code provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Sung Kai Hing is the Chairman and Chief Executive Officer of the Company. The Board believes that vesting the roles of Chairman and Chief Executive Officer in the same individual provides the Group with strong and consistent leadership in the development and execution of 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 2014 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, 25 August 2014

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