

**INTERIM  
REPORT  
2021**



**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

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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### *Executive Directors*

Mr. Sung Kai Hing

*(Chairman and Chief Executive Officer)*

Mr. Cheung Kong Cheung

#### *Independent non-executive Directors*

Mr. Sun Jian

Ms. Shao Hanqing

Mr. Kong Hing Ki

### **AUDIT COMMITTEE**

Mr. Kong Hing Ki *(Chairman)*

Mr. Sun Jian

Ms. Shao Hanqing

### **REMUNERATION COMMITTEE**

Mr. Sun Jian *(Chairman)*

Ms. Shao Hanqing

Mr. Kong Hing Ki

### **NOMINATION COMMITTEE**

Ms. Shao Hanqing *(Chairman)*

Mr. Sung Kai Hing

Mr. Cheung Kong Cheung

Mr. Sun Jian

Mr. Kong Hing Ki

### **COMPANY SECRETARY**

Mr. Wong Kit Wai, FHKICPA, FCIS

### **AUTHORISED REPRESENTATIVES**

Mr. Sung Kai Hing

Mr. Wong Kit Wai

### **PRINCIPAL BANKERS**

Bank of China (Hong Kong) Limited

China Construction Bank Corporation

### **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

Unit 1101, 11th Floor, Delta House

3 On Yiu Street, Shatin, New Territories

Hong Kong

### **REGISTERED OFFICE**

The Belvedere Building

69 Pitts Bay Road

Pembroke HM08

Bermuda

### **LEGAL ADVISERS**

Sit, Fung, Kwong & Shum

Beijing Yingke Law Firm Shenzhen Office

Conyers Dill & Pearman

### **AUDITORS**

Baker Tilly Hong Kong Limited

Certified Public Accountants

### **HONG KONG SHARE REGISTRAR**

Union Registrars Limited

### **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

MUFG Fund Services (Bermuda) Limited

### **STOCK CODE**

396

### **COMPANY WEBSITE**

[www.hingleehk.com.hk](http://www.hingleehk.com.hk)

## INTERIM RESULTS

The board of directors (each a “Director”, collectively 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 2021 (the “Period”) with comparative figures for the corresponding period in 2020.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	Notes	(Unaudited)	
		Six months ended 30 June	
		2021	2020
		HK\$'000	HK\$'000
<b>Turnover</b>	3	<b>87,041</b>	86,333
Cost of sales		(75,555)	(76,898)
<b>Gross profit</b>		<b>11,486</b>	9,435
Other net income		713	1,770
Selling and distribution expenses		(1,335)	(4,141)
Administrative expenses		(6,835)	(15,380)
<b>Profit/(loss) from operations</b>		<b>4,029</b>	(8,316)
Finance costs		(2,996)	(836)
<b>Profit/(loss) before taxation</b>	4	<b>1,033</b>	(9,152)
Income tax	5	–	34
<b>Profit/(loss) for the period</b>		<b>1,033</b>	(9,118)
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>1,033</b>	(9,118)
		(HK cents)	(HK cents)
<b>Profit/(loss) per share attributable to the equity holders of the Company</b>			
– basic	6	<b>0.13</b>	(1.13)
– diluted	6	<b>0.13</b>	(1.13)
		HK\$'000	HK\$'000
<b>Dividend</b>	7	–	–

The notes on pages 8 to 18 form an integral part of this condensed consolidated interim financial statements.

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

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit/(loss) for the period</b>	<u>1,033</u>	<u>(9,118)</u>
<b>Other comprehensive income/(loss)</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange reserve reclassified to profit or loss upon disposal of a subsidiary net of tax	7	–
Exchange differences on translation of financial statements of overseas subsidiaries (after tax)	<u>–</u>	<u>(1,473)</u>
	<u>7</u>	<u>(1,473)</u>
<b>Total comprehensive income/(loss) for the period</b>	<u><u>1,040</u></u>	<u><u>(10,591)</u></u>
<b>Total comprehensive income/(loss) attributable to</b> – equity shareholders of the Company	<u><u>1,040</u></u>	<u><u>(10,591)</u></u>

The notes on pages 8 to 18 form an integral part of this condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL POSITION

		As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment	8	112,664	113,367
Right-of use asset	9	33,844	35,128
		<u>146,508</u>	<u>148,495</u>
<b>Current assets</b>			
Inventories		16,278	11,344
Trade debtors and other receivables	10	83,986	64,097
Cash and cash equivalents		64,710	70,415
		<u>164,974</u>	<u>145,856</u>
<b>Current liabilities</b>			
Contract liabilities		–	100
Trade creditors and bills payable	11	44,566	46,412
Other payables and accrued charges		17,477	9,523
Bank loans	12	81,214	69,824
Lease liabilities		3,229	3,322
		<u>146,486</u>	<u>129,181</u>
<b>Net current assets</b>		<u>18,488</u>	<u>16,675</u>
<b>Total assets less current liabilities</b>		<u>164,996</u>	<u>165,170</u>
<b>Non-current liabilities</b>			
Lease liabilities		10,978	12,192
<b>Net assets</b>		<u>154,018</u>	<u>152,978</u>
<b>Capital and reserves</b>			
Share capital	13	8,081	8,081
Reserves		145,937	144,897
<b>Total equity</b>		<u>154,018</u>	<u>152,978</u>

## 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	Capital reserve	Retained profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 1 January 2020</b>	8,081	176,627	5,153	5,541	7,445	(24,862)	33,733	211,718
Change in equity								
Loss for the period	-	-	-	-	-	-	(9,118)	(9,118)
Other comprehensive loss	-	-	(1,473)	-	-	-	-	(1,473)
<b>Total comprehensive loss for the period</b>	-	-	(1,473)	-	-	-	(9,118)	(10,591)
<b>At 30 June 2020</b>	<u>8,081</u>	<u>176,627</u>	<u>3,680</u>	<u>5,541</u>	<u>7,445</u>	<u>(24,862)</u>	<u>24,615</u>	<u>201,127</u>
<b>At 1 January 2021</b>	8,081	176,627	5,618	5,541	7,445	(24,862)	(25,472)	152,978
Change in equity								
Profit for the period	-	-	-	-	-	-	1,033	1,033
Other comprehensive income	-	-	7	-	-	-	-	7
<b>Total comprehensive income for the period</b>	-	-	7	-	-	-	1,033	1,040
<b>At 30 June 2021</b>	<u>8,081</u>	<u>176,627</u>	<u>5,625</u>	<u>5,541</u>	<u>7,445</u>	<u>(24,862)</u>	<u>(24,439)</u>	<u>154,018</u>

The notes on pages 8 to 18 form an integral part of this condensed consolidated interim financial statements.

## CONDENSED CONSOLIDATED INTERIM CASH FLOWS STATEMENT

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(13,910)	(6,763)
Net cash generated from/(used in) investing activities	137	(2,216)
Net cash generated from/(used in) financing activities	<u>7,450</u>	<u>(2,284)</u>
Net decrease in cash and cash equivalents	(6,323)	(11,263)
Effect of foreign exchange rate changes	618	(536)
Cash and cash equivalents at the beginning of the period	<u>70,415</u>	<u>59,749</u>
Cash and cash equivalents at the end of the period	<u><u>64,710</u></u>	<u><u>47,950</u></u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<u><u>64,710</u></u>	<u><u>47,950</u></u>

The notes on pages 8 to 18 form an integral part of this condensed consolidated interim financial statements.



# 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, provision of promotional services relating to layout design, fitting and display of products 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 20 August 2021.

The condensed consolidated interim financial statements have not been audited, but have been reviewed by the audit committee of the Company.

## 2 Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended 30 June 2021 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 2020, except for the adoption of new Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA as disclosed below:

“The HKICPA has issued the following amendments to HKFRSs that are first effective for the current accounting period of the group:

- Amendments to HKFRS 16, *Covid-19-related rent concessions*
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16, *Interest rate benchmark reform – phase 2*

None of these developments have had a material effect on how the group’s results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The group has not applied any new standard or interpretation that is not yet effective for the current accounting period”

### 3 Segment Reporting

#### (a) Operating segment information

All of the Group's products are of a similar nature and subject to similar risk and returns. The Group's operating activities are attributable to a single operating segment.

#### (b) 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 property, plant and equipment and prepaid lease payments. The geographical location of customers is based on the location at which the services were provided or the goods were delivered. The geographical location of the specified non-current assets is based on the physical location of the assets.

#### Revenue from external customers

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Asia (excluding the People's Republic of China ("PRC"))*	63,103	61,771
Europe	6,454	6,390
PRC	7,680	8,842
The United States of America	9,804	8,495
Others	–	835
	<u>87,041</u>	<u>86,333</u>

#### Specified non-current assets

	As at	As at
	30 June	31 December
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Asia (excluding the PRC)	221	465
PRC	146,287	148,030
	<u>146,508</u>	<u>148,495</u>

\* Asia mainly covers Japan, Middle East and Southeast Asia, Europe mainly covers, France and Germany and others mainly cover Canada, South America and Australia.

#### 4 Profit/(Loss) before taxation

Profit/(Loss) before taxation is arrived at after charging and crediting the following items:

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>After charging</b>		
<b>(a) Finance cost</b>		
Interest on borrowings	2,557	724
Interest expense on the lease liabilities	439	112
	<u>2,996</u>	<u>836</u>
<b>(b) Other items</b>		
Auditor's remuneration	400	400
Cost of inventories sold	75,555	76,898
Staff costs (including Directors' emoluments)		
– Directors' emoluments	1,019	1,120
– Others	8,780	7,171
Depreciation of		
– Property, plant and equipment	3,617	5,149
– Right-of-use assets	1,883	3,454
	<u>1,883</u>	<u>3,454</u>
<b>After crediting/(debiting)</b>		
Interest income	88	215
Net exchange gain/(loss)	2,696	(1,180)
	<u>2,696</u>	<u>(1,180)</u>

5 **Income Tax**

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

	(Unaudited)	
	Six months ended 30 June	
	2021	2020
	HK\$'000	HK\$'000
Current income tax		
– PRC enterprise income tax	–	(34)
	_____	_____
	–	(34)
	=====	=====

- (i) Pursuant to the income tax rules and regulations, the Group is not subject to income tax in Bermuda and the BVI.
- (ii) No provision for Hong Kong Profits Tax has been made (six months ended 30 June 2020: HK\$Nil) as the Company and subsidiaries incorporated or domiciled in Hong Kong have either no assessable profits or sustained tax losses for taxation purposes during the period.
- (iii) The subsidiaries in the PRC are subject to a standard enterprise income tax rate of 25% for the six months ended 30 June 2021 (six months ended 30 June 2020: 25%).

(b) **Deferred taxation**

As at 30 June 2021, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$66,539,000 (30 June 2020: HK\$31,028,000) 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\$36,885,000 (30 June 2020: HK\$1,000) will expire within 5 years and the remaining tax losses of HK\$29,654,000 (30 June 2020: HK\$31,027,000) have no expiry date under the current tax legislation.

As at 30 June 2021, the Group has unrecognised deferred tax liabilities of HK\$639,000 (30 June 2020: HK\$726,000) in relation to withholding tax on undistributed earnings of HK\$12,393,000 (30 June 2020: HK\$14,525,000) 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 2020: Nil), and therefore, no provision for deferred tax has been made.

## 6 Earnings/(Loss) per share

### (a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share for the six months ended 30 June 2021 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$1,033,000 (six months ended 30 June 2020: loss of HK\$9,118,000) and the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2021 of 808,096,025 shares (six months ended 30 June 2020: 808,096,025 ordinary shares).

### (b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$1,033,000 (six months ended 30 June 2020: loss of HK\$9,118,000) and the weighted average number of ordinary shares (diluted) of 808,096,025 shares (six months ended 30 June 2020: 808,096,025 ordinary shares), calculated as follows:

	(Unaudited)	
	2021	2020
	No. of shares	No. of shares
Weighted average number of ordinary shares at 30 June	<b>808,096,025</b>	808,096,025
Effect of dilutive potential ordinary shares arising from share options	—	—
Weighted average number of ordinary shares for the purpose of calculating diluted earning/(loss) per share	<b><u>808,096,025</u></b>	<b><u>808,096,025</u></b>

## 7 Interim dividend

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2021 (six months ended 30 June 2020: Nil).

## 8 Property, plant and equipment

	<b>Property, plant and equipment HK\$'000 (Unaudited)</b>
<b>Six month ended 30 June 2021</b>	
<b>Net book value as at 1 January 2021</b>	<b>113,367</b>
Exchange realignment	2,914
Additions	–
Disposal	–
Depreciation and amortization	<u>(3,617)</u>
<b>Net book value as at 30 June 2021</b>	<b><u><u>112,664</u></u></b>
Six month ended 30 June 2020	
Net book value as at 1 January 2020	112,879
Exchange realignment	(192)
Additions	–
Disposal	–
Depreciation and amortization	<u>(5,149)</u>
Net book value as at 30 June 2020	<b><u><u>107,538</u></u></b>

## 9 Right-of-use assets

	<b>Properties</b> <i>HK\$'000</i> (Unaudited)	<b>Land use rights</b> <i>HK\$'000</i> (Unaudited)	<b>Total</b> <i>HK\$'000</i> (Unaudited)
<b>Six month ended 30 June 2021</b>			
Net book value as at 1 January 2021	<b>14,944</b>	<b>20,184</b>	<b>35,128</b>
Exchange realignment	77	522	599
Depreciation	<u>(1,599)</u>	<u>(284)</u>	<u>(1,883)</u>
Net book value as at 30 June 2021	<u><b>13,422</b></u>	<u><b>20,422</b></u>	<u><b>33,844</b></u>
<b>Six month ended 30 June 2020</b>			
Net book value as at 1 January 2020	5,451	19,484	24,935
Exchange realignment	(87)	(375)	(462)
Depreciation	<u>(3,197)</u>	<u>(257)</u>	<u>(3,454)</u>
Net book value as at 30 June 2020	<u><b>2,167</b></u>	<u><b>18,852</b></u>	<u><b>21,019</b></u>

## 10 Trade and other receivables

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Trade receivables	39,067	37,838
Less: impairment allowance	<u>(5,108)</u>	<u>(10,059)</u>
	<b>33,959</b>	<b>27,779</b>
Deposits paid for purchase of property, plant and equipment	–	46
Deposits paid to suppliers	36,765	29,148
Value added tax recoverable	2,651	2,976
Other deposits, prepayments and receivables	<u>10,611</u>	<u>4,148</u>
	<b>50,027</b>	<b>36,318</b>
	<b>83,986</b>	<b>64,097</b>

The amount of deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK\$1,067,000 (2020: HK\$987,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Included in the other deposits, prepayments and receivables were amounts due from independent business partners of HK\$8,974,000 (2020: HK\$1,685,000), which are unsecured, interest free and repayable on demand.

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date (or date of revenue recognition, if earlier) and net of allowance for doubtful debts, is as follows:

	<b>30 June 2021 HK\$'000 (Unaudited)</b>	31 December 2020 HK\$'000 (Audited)
Within 3 months	29,978	27,779
3 to 6 months	3,981	–
6 to 9 months	–	–
9 months to 1 year	<u>–</u>	<u>–</u>
	<b>33,959</b>	<b>27,779</b>

Trade debtors and bills receivable are non-interest bearing and are normally due within 30 to 90 days from the date of billing. The Group performs ongoing credit evaluation of the debtors' financial condition and maintains an account for allowance for doubtful debts based upon the expected collectibles of all trade and other receivables.



## 11 Trade creditors and bills payable

The ageing analysis of trade creditors and bills payable (including amounts due to related parties of trading in nature) based on invoices date were as follow:

	As at <b>30 June 2021</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Within 3 months	<b>34,718</b>	38,179
3 months to 1 year	<b>2,741</b>	8,233
Over 1 year	<b>7,107</b>	–
	<b><u>44,566</u></b>	<b><u>46,412</u></b>

All trade and other payables, except for those balances classified as non-current liabilities, are expected to be settled within one year.

## 12 Bank loans

Movements in secured bank loans is analysed as follows:

	<b>(Unaudited)</b> <i>HK\$'000</i>
<b>Six months ended 30 June 2021</b>	
Opening amount as at 1 January 2021	<b>69,824</b>
Exchange realignment	<b>1,806</b>
Proceeds from new secured bank loans	<b>53,456</b>
Repayment of secured bank loans	<b>(43,872)</b>
	<b><u>81,214</u></b>
Closing amount as at 30 June 2021	
<b>Six months ended 30 June 2020</b>	
Opening amount as at 1 January 2020	34,545
Exchange realignment	(561)
Proceeds from new secured bank loans	35,032
Repayment of secured bank loans	(33,984)
	<b><u>35,032</u></b>
Closing amount as at 30 June 2020	

All of the Group's banking facilities are subject to the fulfillment of covenants, which 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. As at 30 June 2021, none of the covenants relating to drawn down facilities had been breached (31 December 2020: Nil).

### 13 Share capital

#### (i) Authorised and issued share capital

	(Unaudited) 30 June 2021		(Audited) 31 December 2020	
	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
<b>Authorised:</b>				
At 1 January	3,000,000,000	30,000	3,000,000,000	30,000
Increase	—	—	—	—
At the end of the period/year	<u>3,000,000,000</u>	<u>30,000</u>	<u>3,000,000,000</u>	<u>30,000</u>
<b>Issued and fully paid:</b>				
At 1 January	808,096,025	8,081	808,096,025	8,081
Shares issued under share option scheme	—	—	—	—
At the end of the period/year	<u>808,096,025</u>	<u>8,081</u>	<u>808,096,025</u>	<u>8,081</u>

The holders of ordinary 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.

#### (ii) Share issued under share option scheme

No option was exercised during the period ended 30 June 2021 (30 June 2020 :Nil).

#### (iii) Terms of unexpired and unexercised share options at the end of the reporting period

There is no unexpired and unexercised share options as at 30 June 2021 (31 December 2020: Nil).

## 14 Capital commitments

	As at 30 June 2021 <i>HK\$'000</i> (Unaudited)	As at 31 December 2020 <i>HK\$'000</i> (Audited)
Contracted for:		
– Acquisition of property, plant and equipment	–	145
	–	145

The Group had no significant capital commitments authorised but not contracted for at the balance sheet date.

## 15 Contingent liabilities

At 30 June 2021, the Company had contingent liabilities in respect of guarantees given for banking facilities granted to certain subsidiaries to the extent of HK\$95,053,000 (31 December 2020: HK\$95,053,000). These facilities were utilised to the extent of HK\$81,214,000 as at 30 June 2021 (31 December 2020: HK\$29,704,000).

## 16 Material Related Party Transactions

Key management personnel compensation:

	(Unaudited)	
	Six months ended 30 June	
	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Salaries and other short-term benefits	1,645	1,712
Post-employment benefits	34	34
	<u>1,679</u>	<u>1,746</u>

None of the related party transactions as disclosed above falls under the definition of connected transaction or continuing connected transaction as defined in Chapter 14A of the Listing Rules.

## 17 Events after the reporting period

Up to the date of this report, there was no significant event relevant to the business or financial performance of the Group that come to the attention of the Directors after the six months ended 30 June 2021.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

During the period under review, the Group was still affected by the outbreak of coronavirus disease (“COVID-19 Outbreak”). Our domestic market relies on our domestic distributors to market our furniture products to end-users in the People’s Republic of China (“PRC”). Most of our distributors are individuals who operate in the form of sole proprietorship and many customers and suppliers were in a state of semi-standstill or even closed down since the first half of year 2020, which affected our domestic sales. For our export market, the Sino-US trade friction and shortage in shipping containers since the second half of year 2020 posted further challenges in overseas economies and related activities, resulting in delays in product shipment schedules, cancelled orders and delays in new products development.

The Group has been continuously assessing its business strategy. Since year 2020, the Group has introduced a design and promotional project by providing professional services such as layout design as well as fitting and display of products. The new professional services provide a steady income to the Group.

### FINANCIAL REVIEW

#### *Turnover*

The Group’s turnover increased by approximately 1.0% from about HK\$86.3 million for the six months ended 30 June 2020 to HK\$87.0 million for the six months ended 30 June 2021.

The COVID-19 Outbreak has consistently impacted the businesses operation of the Group as well as our customers. With the effort of Group, the business of the Group remained stable.

#### *Gross Profit*

The Group introduced a design and promotional project by providing professional services such as layout design as well as fitting and display of products in year 2020, during the period under review, the professional services provided a higher return to the Group. As a result, the Group’s gross profit margin was increased to 13.2% (six months ended 30 June 2020: 10.9%).

### *Selling and Distribution Expenses*

The Group's selling and distribution expenses amounted to about HK\$1.3 million for the six months ended 30 June 2021, against about HK\$4.1 million for the six months ended 30 June 2020. The selling and distribution expenses decreased as a result of the continued cost control at all levels as well as the low level of marketing activities.

### *Administrative Expenses*

The Group's administrative expenses amounted to approximately HK\$6.8 million for the six months ended 30 June 2021, against about HK\$15.4 million for the six months ended 30 June 2020. The decrease in administrative expenses during the period under review was mainly attributable to the continued cost control at all levels and the absence of the written off of the trade receivables of approximately HK\$2,578,000 that related to Pier 1 Imports, Inc., one of the Group's major customers for upholstered furniture, as well as the foreign exchange gain arising from conversion of the foreign currencies to Hong Kong dollars, the functional currency of the Group.

### *Profit for the Period*

Profit attributable to equity shareholders of the Company for the six months ended 30 June 2021 was approximately HK\$1.0 million as compared to loss attributable to equity shareholders of the Company of approximately HK\$9.1 million for the corresponding period last year.

## **PROSPECTS**

As the development of the COVID-19 Outbreak remains to be highly unpredictable, the extent of its impact on the economy of China and the world is uncertain.

Since the second half of year 2020, the shortage in shipping containers and soared freight costs were far beyond expectation. The Group experienced delays in shipment schedules and cancelled orders. In addition, US-Sino trade war has compounded the uncertainties we are facing, and has introduced additional layers of dynamics and stochastic events. The Group's upholstered furniture products that is export orientated and rely heavily on the US market is directly affected. Besides, various travel restrictions and lockdown measures remain enacted as a result of the pandemic, which impede our marketing and promotional works, resulting in a slowdown of our products development. The management is of the view that the overall tough business environment may persist for some time.

The Group has proactively responded and conducted corporate restructuring activities to rebalance our business focus. We have expanded our business into a design and promotional project by providing professional services such as layout design as well as fitting and display of products during the year. We believe entering into the design and promotional project could achieve synergy with the Group's existing business which enables the Group to access to additional income and cash flow stream to the Group while further diversifying the Group's overall business to confront the volatile economic condition and environment.

## **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\$64.7 million as at 30 June 2021 (31 December 2020: HK\$70.4 million).

As at 30 June 2021, the Group's bank borrowings amounted to HK\$81.2 million (31 December 2020: HK\$69.8 million). As at the same date, the gearing ratio (total debt/total equity) was 1.0 (31 December 2020: 0.9).

As at 30 June 2021, the current ratio (current assets/current liabilities) was 1.1 (31 December 2020: 1.1) and the net current assets amounted to HK\$18.5 million (31 December 2020: HK\$16.7 million).

The ageing analysis of trade creditors and bills payable and the movement of bank borrowings are set out in Notes 11 and 12 to the financial statements of this interim report.

## **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 material 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 2021, the Group had banking facilities which were secured by (i) pledge of buildings; (ii) personal guarantee provided by Mr. Chan Kwok Kin and Mr. Huang Wei Ye, both are members of the senior management of the Group; and (iii) corporate guarantees from the Company and a subsidiary.

## **EMPLOYEES**

As at 30 June 2021, the Group employed approximately 160 employees (30 June 2020: approximately 200). Total staff cost, including Directors' emoluments, amounted to HK\$9.7 million (30 June 2020: HK\$8.3 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.

## **RESPONSE TO THE COVID-19 OUTBREAK**

Starting from the COVID-19 Outbreak in early 2020, the Group has taken various precautionary measures to safeguard the employees' health and safety. Body temperature check was conducted on every person entering the workplaces and commonly touched areas in workplaces were disinfected regularly. Employees were requested to complete the declarations of personal health and travel history before resumption of work. Face masks and disinfectant were provided in the workplaces and employees were advised to maintain good personal hygiene by wearing face masks in their workplaces and washing hands frequently. Flexible working hours, shift duties and home office were implemented to reduce workplace density and to guarantee smooth business operations. The Group encouraged the use of video or conference calls in order to reduce internal and external business meetings and all business travels have been reduced to minimal to reduce the risk of infection. The Group continues to closely monitoring the development of the COVID-19 Outbreak to ensure the safety of its employees and stable operations. As and when appropriate, the Group will adjust its measures and plans for diseases prevention, operations and business development accordingly.

As at the date of this report, over 95% of the total employee of the Group has been vaccinated against COVID-19.

## **INTERIM DIVIDEND**

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2021 (six months ended 30 June 2020: Nil).

## **CORPORATE GOVERNANCE AND OTHER INFORMATION**

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

During the six months period ended 30 June 2021, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

### **DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES**

As at 30 June 2021, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be entered into the register required to be kept under section 352 of the SFO or otherwise were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and/or the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (the "Model Code"), were as follows:



## Long positions in shares and the underlying shares of HK\$0.01 each of the Company (“Shares”)

Name of Director/ chief executive	Nature of interests	Number of Shares	Approximate percentage of the issued share capital of the Company
Mr. Sung Kai Hing (note 1)	Beneficial owner and Interest of a controlled corporation	288,596,777	35.71%
Mr. Cheung Kong Cheung (note 2)	Beneficial owner and Interest of a controlled corporation	62,040,465	7.68%
Mr. Sun Jian	Beneficial owner	2,000,000	0.25%
Mr. Kong Hing Ki	Beneficial owner	900,000	0.11%

### Notes:

1. The 29,690,000 Shares were held by Mr. Sung Kai Hing and 258,906,777 Shares were held by King Right Holdings Limited (“King Right”), a company beneficially wholly-owned by Mr. Sung Kai Hing, who is also the sole director of King Right. By virtue of the SFO, Mr. Sung Kai Hing is deemed to be interested in the same parcel of Shares in which King Right is interested.
2. The 7,200,000 Shares were held by Mr. Cheung Kong Cheung and 54,840,465 Shares were held by United Sino Limited (“United Sino”), a company beneficially wholly-owned by Mr. Cheung Kong Cheung, who is also the sole director of United Sino. By virtue of the SFO, Mr. Cheung Kong Cheung is deemed to be interested in the same parcel of Shares in which United Sino is interested.

## SUBSTANTIAL SHAREHOLDERS

As at 30 June 2021, the persons (not being a Director or chief executive of the Company) who have interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

## Long positions in Shares of HK\$0.01 each

Name	Capacity	Number of Shares	Approximate percentage of shareholding %	Note
King Right	Beneficial owner	258,906,777	32.04	1
Ms. Wong Wai King	Family interests	288,596,777	35.71	1
United Sino	Beneficial owner	54,840,465	6.79	2
Ms. Li Xin	Family interests	62,040,465	7.68	2
Golden Sunday Limited ("Golden Sunday")	Beneficial owner	54,840,465	6.79	3
Mr. Chan Kwok Kin	Beneficial owner and Interest of a controlled corporation	62,040,465	7.68	3
Ms. Ho Fung Ying	Family interests	62,040,465	7.68	3
Top Right Trading Limited ("Top Right")	Beneficial owner	51,586,293	6.38	4
Mr. Huang Wei Ye	Beneficial owner and Interest of a controlled corporation	58,936,293	7.29	4
Ms. Ye Jian Qun	Family interests	58,936,293	7.29	4

### Notes:

- King Right is a company beneficially wholly-owned by Mr. Sung Kai Hing, who is also the sole director of King Right. Ms. Wong Wai King is the spouse of Mr. Sung Kai Hing and is deemed to be interested in the same parcel of Shares in which Mr. Sung Kai Hing is interested by virtue of the SFO.
- United Sino is a company beneficially wholly-owned by Mr. Cheung Kong Cheung, who is also the sole director of United Sino. Ms. Li Xin is the spouse of Mr. Cheung Kong Cheung and is deemed to be interested in the same parcel of Shares in which Mr. Cheung Kong Cheung is interested by virtue of the SFO.
- Golden Sunday is a company beneficially wholly-owned by Mr. Chan Kwok Kin. By virtue of the SFO, Mr. Chan Kwok Kin is deemed to be interested in the same parcel of Shares in which Golden Sunday is interested. Ms. Ho Fung Ying is the spouse of Mr. Chan Kwok Kin and is deemed to be interested in the same parcel of Shares in which Mr. Chan Kwok Kin is interested by virtue of the SFO.

4. Top Right is a company beneficially wholly-owned by Mr. Huang Wei Ye. By virtue of the SFO, Mr. Huang Wei Ye is deemed to be interested in the same parcel of Shares in which Top Right is interested. Ms. Ye Jian Qun is the spouse of Mr. Huang Wei Ye and is deemed to be interested in the same parcel of Shares in which Mr. Huang Wei Ye is interested by virtue of the SFO.

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

## SHARE OPTION SCHEME

The Company adopted a share option scheme by the written resolutions of the shareholders on 29 May 2009 (the “Old Scheme”), which expired on 28 May 2019. There was no share option outstanding before the expiration of the Old Scheme. The Company adopted a new share option scheme (the “New Scheme”) at its annual general meeting on 17 May 2019. The purpose of the New Scheme is to enable the Company to grant options to full-time or part-time employees, directors, supplier, service provider and business partner of the Company and/or any of its subsidiaries (the “Eligible Participants”) as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants. There is no share option movements nor any outstanding share options under the New Scheme during the period under review.

## 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 2021, 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 long-term business strategies.

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

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 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**

The Company has set up an audit committee (the "Audit Committee") with written terms of reference which are in compliance with the code provisions of the CG 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 statements and the interim report for the six months ended 30 June 2021.

## **REMUNERATION COMMITTEE**

The Company has set up a remuneration committee with written terms of reference which are in compliance with the code provisions of the CG 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 remuneration 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 has set up a nomination committee with written terms of reference which are in compliance with paragraph A.5.2 of the CG 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 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 2021 interim report is 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, 20 August 2021