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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 2023**

### **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 2023 with comparative figures for the corresponding period in 2022.

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

		(Unaudited)	
		Six months ended 30 June	
		2023	2022
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Turnover</b>	3	<b>36,992</b>	57,091
Cost of sales		<u>26,272</u>	<u>(45,840)</u>
<b>Gross profit</b>		<b>10,720</b>	11,251
Other net income		<b>310</b>	506
Selling and distribution expenses		<b>(2,230)</b>	(2,416)
Administrative expenses		<u><b>(5,473)</b></u>	<u>(18,958)</u>
<b>Profit/(loss) from operations</b>		<b>3,327</b>	(9,617)
Finance costs		<u><b>(2,560)</b></u>	<u>(2,846)</u>
<b>Profit/(loss) before taxation</b>	4	<b>767</b>	(12,463)
Income tax	5	<u><b>(1)</b></u>	<u>(25)</u>
<b>Profit/(loss) for the period</b>		<u><b>766</b></u>	<u>(12,488)</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<u><b>766</b></u>	<u>(12,488)</u>
		<i>(HK cents)</i>	<i>(HK cents)</i>
<b>Profit/(loss) per share attributable to the equity holders of the Company</b>			
– basic	6	<b>0.01</b>	(1.55)
– diluted	6	<b>0.01</b>	(1.55)
		<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Dividend</b>	7	<u><b>–</b></u>	<u>–</u>

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

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Profit/(loss) for the period</b>	<u>766</u>	<u>(12,488)</u>
<b>Other comprehensive loss</b>		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries (after tax)	<u>(396)</u>	<u>(1,287)</u>
	<u>(396)</u>	<u>(1,287)</u>
<b>Total comprehensive income/(loss) for the period</b>	<u><u>370</u></u>	<u><u>(13,775)</u></u>
<b>Total comprehensive income/(loss) attributable to – equity shareholders of the Company</b>	<u><u>370</u></u>	<u><u>(13,775)</u></u>

## CONDENSED CONSOLIDATED INTERIM FINANCIAL POSITION

		As at <b>30 June 2023</b> <i>HK\$'000</i> <b>(Unaudited)</b>	As at 31 December 2022 <i>HK\$'000</i> <b>(Audited)</b>
	<i>Notes</i>		
<b>Non-current assets</b>			
Property, plant and equipment	8	77,457	82,013
Right-of use asset	9	24,150	26,898
		<b>101,607</b>	108,911
<b>Current assets</b>			
Inventories		7,347	5,385
Trade debtors and other receivables	10	66,467	69,817
Cash and cash equivalents		35,133	38,050
		<b>108,947</b>	113,252
<b>Current liabilities</b>			
Trade creditors and bills payable	11	13,020	10,346
Other payables and accrued charges		6,869	12,211
Bank loans	12	63,505	70,886
Lease liabilities		4,496	3,638
		<b>87,890</b>	97,081
<b>Net current assets</b>		<b>21,057</b>	16,171
<b>Total assets less current liabilities</b>		<b>122,664</b>	125,083
<b>Non-current liabilities</b>			
Lease liabilities		3,563	6,351
<b>Net assets</b>		<b>119,101</b>	118,731
<b>Capital and reserves</b>			
Share capital	13	8,081	8,081
Reserves		111,020	110,650
<b>Total equity</b>		<b>119,101</b>	118,731

## CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

(Unaudited)

Attributable to equity shareholders of the Company

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Statutory reserve fund <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>	Total Equity <i>HK\$'000</i>
<b>At 1 January 2022</b>	8,081	176,627	5,570	5,541	7,445	(24,862)	(30,991)	147,411
Change in equity								
Loss for the period	-	-	-	-	-	-	(12,488)	(12,488)
Other comprehensive loss	-	-	(1,287)	-	-	-	-	(1,287)
Total comprehensive loss for the period	-	-	(1,287)	-	-	-	(12,488)	(13,775)
<b>At 30 June 2022</b>	<u>8,081</u>	<u>176,627</u>	<u>4,283</u>	<u>5,541</u>	<u>7,445</u>	<u>(24,862)</u>	<u>(43,479)</u>	<u>133,636</u>
<b>At 1 January 2023</b>	<b>8,081</b>	<b>176,627</b>	<b>3,686</b>	<b>5,541</b>	<b>7,445</b>	<b>(24,862)</b>	<b>(57,787)</b>	<b>118,731</b>
Change in equity								
Profit for the period	-	-	-	-	-	-	766	766
Other comprehensive income	-	-	(396)	-	-	-	-	(396)
Total comprehensive income for the period	-	-	(396)	-	-	-	766	370
<b>At 30 June 2023</b>	<u>8,081</u>	<u>176,627</u>	<u>3,290</u>	<u>5,541</u>	<u>7,445</u>	<u>(24,862)</u>	<u>(57,021)</u>	<u>119,101</u>

## CONDENSED CONSOLIDATED INTERIM CASH FLOWS STATEMENT

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Net cash generated from/(used in) operating activities</b>	<b>6,690</b>	<b>(6,058)</b>
<b>Net cash used in investing activities</b>	<b>(478)</b>	<b>–</b>
<b>Net cash used in financing activities</b>	<b>(8,855)</b>	<b>(3,881)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(2,643)</b>	<b>(9,939)</b>
<b>Effect of foreign exchange rate changes</b>	<b>(274)</b>	<b>(283)</b>
Cash and cash equivalents at the beginning of the period	<u><b>38,050</b></u>	<u>45,974</u>
<b>Cash and cash equivalents at the end of the period</b>	<u><b>35,133</b></u>	<u>35,752</u>
<b>Analysis of the balances of cash and cash equivalents</b>		
Cash and bank balances	<u><b>35,133</b></u>	<u>35,752</u>

# 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 25 August 2023.

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 2023 of the Group have 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 2022, 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:

HKFRS 17 and amendments to HKFRS 17	Insurance contracts and the related amendments
Amendments to HKAS 8	Definition of accounting estimates
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of accounting policies
Amendment to HKAS 12	Deferred tax related to assets and liabilities arising from a single transaction

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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Asia (excluding the People's Republic of China ("PRC"))*	12,925	23,460
Europe	563	6,659
PRC	6,770	6,176
The United States of America	16,734	20,796
	<u>36,992</u>	<u>57,091</u>

#### Specified non-current assets

	As at	As at
	30 June	31 December
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Asia (excluding the PRC)	1,106	1,334
PRC	100,501	107,577
	<u>101,607</u>	<u>108,911</u>

\* Asia mainly covers Japan, Middle East and Southeast Asia, Europe mainly covers, France and Germany.



#### 4 PROFIT/(LOSS) BEFORE TAXATION

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

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>After charging</b>		
<b>(a) Finance cost</b>		
Interest on borrowings	2,285	2,501
Interest expense on the lease liabilities	275	345
	<u>2,560</u>	<u>2,846</u>
<b>(b) Other items</b>		
Auditor's remuneration	350	375
Cost of inventories sold	26,272	45,840
Staff costs (including Directors' emoluments)		
– Directors' emoluments	659	600
– Others	7,282	7,909
Depreciation of		
– Property, plant and equipment	2,633	3,149
– Right-of-use assets	2,016	1,911
	<u>2,016</u>	<u>1,911</u>
<b>After crediting/(debiting)</b>		
Interest income	544	24
Net exchange gain/(loss)	(3,213)	(1,568)
	<u>(3,213)</u>	<u>(1,568)</u>

## 5 INCOME TAX

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

	(Unaudited)	
	Six months ended 30 June	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
– PRC enterprise income tax	<u>1</u>	<u>25</u>
	<u><u>1</u></u>	<u><u>25</u></u>

- (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 2022: 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 2023 (six months ended 30 June 2022: 25%).

### (b) Deferred taxation

As at 30 June 2023, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$69,345,000 (30 June 2022: HK\$77,757,000) 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\$26,821,000 (30 June 2022: HK\$46,847,000) will expire within 5 years and the remaining tax losses of HK\$42,524,000 (30 June 2022: HK\$30,910,000) have no expiry date under the current tax legislation.

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 2022: 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 2023 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$766,000 (six months ended 30 June 2022: loss of HK\$12,488,000) and the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2023 of 808,096,025 shares (six months ended 30 June 2022: 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\$766,000 (six months ended 30 June 2022: loss of HK\$12,488,000) and the weighted average number of ordinary shares (diluted) of 808,096,025 shares (six months ended 30 June 2022: 808,096,025 ordinary shares), calculated as follows:

	(Unaudited)	
	2023	2022
	<i>No. of shares</i>	<i>No. of shares</i>
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	<u>—</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of calculating diluted earnings/(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 2023 (six months ended 30 June 2022: Nil).

## 8 PROPERTY, PLANT AND EQUIPMENT

	<b>Property, plant and equipment HK\$'000 (Unaudited)</b>
<b>Six months ended 30 June 2023</b>	
Net book value as at 1 January 2023	82,013
Exchange realignment	(1,923)
Depreciation and amortization	<u>(2,633)</u>
<b>Net book value as at 30 June 2023</b>	<b><u><u>77,457</u></u></b>
<b>Six months ended 30 June 2022</b>	
Net book value as at 1 January 2022	110,585
Exchange realignment	(4,861)
Additions	–
Impairment loss	(9,361)
Depreciation and amortization	<u>(3,149)</u>
<b>Net book value as at 30 June 2022</b>	<b><u><u>93,214</u></u></b>

## 9 RIGHT-OF-USE ASSETS

	<b>Properties</b>	<b>Land use</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>rights</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
<b>Six months ended 30 June 2023</b>			
Net book value as at 1 January 2023	8,924	17,974	26,898
Exchange realignment	(182)	(550)	(732)
Depreciation	<u>(1,755)</u>	<u>(261)</u>	<u>(2,016)</u>
<b>Net book value as at 30 June 2023</b>	<b><u><u>6,987</u></u></b>	<b><u><u>17,163</u></u></b>	<b><u><u>24,150</u></u></b>
<b>Six months ended 30 June 2022</b>			
Net book value as at 1 January 2022	11,607	20,208	31,815
Exchange realignment	(880)	(464)	(1,344)
Depreciation	<u>(280)</u>	<u>(1,632)</u>	<u>(1,912)</u>
<b>Net book value as at 30 June 2022</b>	<b><u><u>10,447</u></u></b>	<b><u><u>18,112</u></u></b>	<b><u><u>28,559</u></u></b>

## 10 TRADE AND OTHER RECEIVABLES

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Trade receivables	32,817	31,650
Less: Loss allowance	<u>(9,489)</u>	<u>(9,534)</u>
	<b>23,328</b>	22,116
Deposits paid for purchase of property, plant and equipment	153	45
Deposits paid to suppliers	39,397	44,951
Value added tax recoverable	1,100	883
Other deposits, prepayments and receivables	<u>2,489</u>	<u>1,822</u>
	<b>43,139</b>	47,701
	<b>66,467</b>	<b>69,817</b>

The amount of deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK\$1,803,000 (2022: HK\$1,086,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

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 loss allowance, is as follows:

	<b>30 June 2023 HK\$'000 (Unaudited)</b>	31 December 2022 HK\$'000 (Audited)
Within 3 months	10,664	6,441
3 months to 1 year	12,664	15,675
Over 1 year	<u>–</u>	<u>–</u>
	<b>23,328</b>	22,116

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 30 June 2023 <i>HK\$'000</i> (Unaudited)	As at 31 December 2022 <i>HK\$'000</i> (Audited)
Within 3 months	7,609	5,073
3 months to 1 year	1,207	685
Over 1 year	4,204	4,588
	<u>13,020</u>	<u>10,346</u>

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 2023</b>	
Opening amount as at 1 January 2023	70,886
Exchange realignment	(2,611)
Proceeds from new secured bank loans	8,000
Repayment of secured bank loans	<u>(12,770)</u>
Closing amount as at 30 June 2023	<u>63,505</u>
<b>Six months ended 30 June 2022</b>	
Opening amount as at 1 January 2022	81,776
Exchange realignment	(3,594)
Proceeds from new secured bank loans	3,373
Repayment of secured bank loans	<u>(5,443)</u>
Closing amount as at 30 June 2022	<u>76,112</u>

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 2023, none of the covenants relating to drawn down facilities had been breached (31 December 2022: Nil).

## 13 SHARE CAPITAL

### (i) Authorised and issued share capital

	(Unaudited) 30 June 2023		(Audited) 31 December 2022	
	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 2023 (30 June 2022: 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 2023 (31 December 2022: Nil).

## 14 CAPITAL COMMITMENTS

	<b>As at 30 June 2023 HK\$'000 (Unaudited)</b>	<b>As at 31 December 2022 HK\$'000 (Audited)</b>
Contracted for:		
– Acquisition of property, plant and equipment	<u>306</u>	<u>108</u>
	<b><u>306</u></b>	<b><u>108</u></b>

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

## 15 CONTINGENT LIABILITIES

At 30 June 2023, the Company had contingent liabilities in respect of guarantees given for banking facilities granted to certain subsidiaries to the extent of HK\$86,770,000 (31 December 2022: HK\$89,559,000). These facilities were utilised to the extent of HK\$63,505,000 as at 30 June 2023 (31 December 2022: HK\$70,886,000).

## 16 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel compensation:

	<b>(Unaudited)</b>	
	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Salaries and other short-term benefits	<b>1,324</b>	1,260
Post-employment benefits	<u>25</u>	<u>34</u>
	<b><u>1,349</u></b>	<b><u>1,294</u></b>

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 announcement, there was no significant event relevant to the business or financial performance of the Group that has come to the attention of the Directors after the six months ended 30 June 2023.



## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

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.

During the period under review, the Sino-US trade friction, interest rate increases in the global banking sector and the depreciation of major currencies against the USD have impacted economies, resulting in a decrease in consumer demand and hence lowered the demand for our products. In addition, in order to save warehousing costs and keep cash on hand, customers placed their orders when their inventory level fell short, resulting in delays in product shipment schedules 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. During the year under review, the professional services provided a steady income to the Group.

### **FINANCIAL REVIEW**

#### ***Turnover***

The Group's turnover decreased by approximately 35.2% from about HK\$57.1 million for the six months ended 30 June 2022 to HK\$37.0 million for the six months ended 30 June 2023.

The decrease in revenue was mainly due to the decrease in export sales, interest rate increases in the global banking sector and the depreciation of major currencies against the USD which have impacted economies, resulting in a decrease in consumer demand and hence lowered the demand for our products. As a result, the business of the Group declined.

#### ***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 which provided a higher profit margin. During the period under review, due to the contraction of the export business, the proportion of the professional services business has increased. As a result, the Group's gross profit margin increased to 29.0% for the six months ended 30 June 2023, against 19.7% for the six months ended 30 June 2022.

### ***Selling and Distribution Expenses***

The Group's selling and distribution expenses amounted to about HK\$2.2 million for the six months ended 30 June 2023, against about HK\$2.4 million for the six months ended 30 June 2022.

### ***Administrative Expenses***

The Group's administrative expenses amounted to approximately HK\$5.5 million for the six months ended 30 June 2023, against about HK\$19.0 million for the six months ended 30 June 2022.

The decrease in administrative expenses during the period under review was mainly attributable to the absence of the expenses of impairment of the Group's non-current assets of approximately HKD9.4 million and the costs associated with restructuring the Group's business units, as well as the continued cost control at all levels.

### ***Profit/(Loss) for the Period***

Profit attributable to equity shareholders of the Company for the six months ended 30 June 2023 was approximately HK\$0.8 million as compared to loss attributable to equity shareholders of the Company of approximately HK\$12.5 million for the corresponding period last year.

## **PROSPECTS**

Looking forward, we believe that the Sino-US trade friction, interest rate increases in the global banking sector, the fluctuation in currency exchange rates and commodity prices remain key factors affecting the economy and overall business outlook. The Group will pay close attention to its performance and future development. At the same time, the management will continuously monitor and review the overall operation and financial performance of the Group's businesses so as to cope with the ever-changing business environment. We will protect our business fundamentals, maintain our agility, vigilance and discipline whilst continuing to adapt to the changing dynamics in consumer behaviour, channels and the market arena. The Group remains cautious but optimistic and is confident in our team and corporate values to capture the foreseeable recovery.

## **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\$35.1 million as at 30 June 2023 (31 December 2022: HK\$38.1 million).

As at 30 June 2023, the Group's bank borrowings amounted to HK\$63.5 million (31 December 2022: HK\$70.9 million). As at the same date, the gearing ratio (total debt/total equity) was 0.8 (31 December 2022: 0.9).

As at 30 June 2023, the current ratio (current assets/current liabilities) was 1.2 (31 December 2022: 1.2) and the net current assets amounted to HK\$21.1 million (31 December 2022: HK\$16.2 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 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 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 2023, 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 2023, the Group employed approximately 130 employees (30 June 2022: approximately 150). Total staff cost, including Directors' emoluments, amounted to HK\$9.7 million (30 June 2022: HK\$9.7 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 for the period ended 30 June 2023 (six months ended 30 June 2022: Nil).

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

During the six months period ended 30 June 2023, 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 2023, 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 C.2.1***

Code provision C.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), Ms. Leung Yuen Man, and Mr. Feng Jianzhong, all being independent non-executive Directors. The Audit Committee has reviewed the unaudited interim financial statements and the interim results announcement for the six months ended 30 June 2023.

## **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, Ms. Leung Yuen Man (Chairman), Mr. Feng Jianzhong 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 B.3.1 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 Mr. Feng Jianzhong (Chairman), Mr. Sung Kai Hing, Mr. Cheung Kong Cheung, Ms. Leung Yuen Man and Mr. Kong Hing Ki.

## **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 2023 interim report will be published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk) and on the Company's website at [www.hingleehk.com.hk](http://www.hingleehk.com.hk) in due course.

## **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 2023

*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. Kong Hing Ki, Ms. Leung Yuen Man, and Mr. Feng Jianzhong.*