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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 2015

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 2015 with comparative figures for the corresponding period in 2014.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

		(Unaudited)	
		Six months ended 30 June	
		2015	2014
	Notes	HK\$'000	HK\$'000
Turnover	3	242,633	295,645
Cost of sales		(184,580)	(228,441)
Gross profit		58,053	67,204
Other net income		4,589	2,993
Selling and distribution expenses		(24,759)	(29,367)
Administrative expenses		(21,780)	(24,871)
Profit from operations		16,103	15,959
Finance costs		(2,029)	(2,089)
Profit before taxation	5	14,074	13,870
Income tax	6	102	(177)
Profit for the period		14,176	13,693
Attributable to:			
Equity shareholders of the Company		14,699	13,116
Non-controlling interests		(523)	577
		14,176	13,693
		(HK cents)	(HK cents)
			(Restated)
Earnings per share attributable to the equity holders of the Company	7		
– basic		1.96	1.80
– diluted		1.94	1.77
		HK\$'000	HK\$'000
Dividend	8	3,610	10,908

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

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Profit for the period	14,176	13,693
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Loss on fair value of available-for-sale investments, net of tax	(3)	(5)
Exchange differences on translation of financial statements of overseas subsidiaries (after tax)	99	(1,908)
Total comprehensive income for the period	14,272	11,780
Total comprehensive income attributable to		
– equity shareholders of the Company	14,796	11,271
– non-controlling interests	(524)	509
	14,272	11,780

CONDENSED CONSOLIDATED INTERIM FINANCIAL POSITION

		As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
	Note		
Non-current assets			
Property, plant and equipment	9	305,050	311,203
Prepaid lease payments	9	47,160	47,717
Goodwill	10	52,120	52,120
Available-for-sale investments	11	61	64
		<u>404,391</u>	<u>411,104</u>
Current assets			
Prepaid lease payments	9	1,151	1,150
Inventories		108,418	119,403
Trade debtors and bills receivable	12	51,114	44,859
Prepayments, deposits and other receivables		104,057	78,178
Derivative financial instruments	13	–	114
Current tax recoverable		255	253
Pledged bank deposits		14,814	32,407
Time deposits with term over three months		12,750	22,744
Cash and cash equivalents		46,550	44,874
		<u>339,109</u>	<u>343,982</u>
Current liabilities			
Trade creditors and bills payable	14	190,871	222,193
Other payables and accrued charges		82,757	52,135
Current portion of bank borrowings	15	63,639	65,269
Current taxation		790	1,803
		<u>338,057</u>	<u>341,400</u>
Net current assets		<u>1,052</u>	<u>2,582</u>
		<u>405,443</u>	<u>413,686</u>

		As at 30 June 2015 <i>HK\$'000</i> (Unaudited)	As at 31 December 2014 <i>HK\$'000</i> (Audited)
	<i>Note</i>		
Non-current liabilities			
Non-current portion of bank borrowings	15	2,330	2,155
Provision for long service payments		191	160
		<u>2,521</u>	<u>2,315</u>
Net assets		<u>402,922</u>	<u>411,371</u>
Capital and reserves			
Share capital	16	7,681	7,465
Reserves		395,241	391,600
		<u>395,241</u>	<u>391,600</u>
Total equity attributable to equity shareholders of the Company		402,922	399,065
Non-controlling interests		<u>–</u>	<u>12,306</u>
Total equity		<u>402,922</u>	<u>411,371</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

	(Unaudited)											
	Attributable to equity shareholders of the Company											
	Share capital HK\$'000	Share premium HK\$'000	Exchange reserve HK\$'000	Statutory reserve fund HK\$'000	Merger reserve HK\$'000	Share option reserve HK\$'000	Fair value reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interest HK\$'000	Total equity HK\$'000
At 1 January 2014	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)
Total comprehensive income for the period ended 30 June 2014	-	-	(1,840)	-	-	-	(5)	-	13,116	11,271	509	11,780
Appropriation of reserve	-	-	-	703	-	-	-	-	(703)	-	-	-
Equity-settled share-based payment transactions	-	-	-	-	-	3,889	-	-	-	3,889	-	3,889
Transfer on lapse of share options	-	-	-	-	-	(5,152)	-	-	5,152	-	-	-
At 30 June 2014	<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>
At 1 January 2015	7,465	145,745	45,620	10,576	25,430	8,247	6	(6,486)	162,462	399,065	12,306	411,371
Profit for the period 2015	-	-	-	-	-	-	-	-	14,699	14,699	(523)	14,176
Fair value change on available for sale investments recognised as												
Other Comprehensive Income	-	-	-	-	-	-	(3)	-	-	(3)	-	(3)
Currency transaction difference	-	-	100	-	-	-	-	-	-	100	(1)	99
Total comprehensive income	-	-	100	-	-	-	(3)	-	14,699	14,796	(524)	14,272
Shares issued under share option scheme												
- gross proceeds	216	8,489	-	-	-	-	-	-	-	8,705	-	8,705
- transfer from share option reserve	-	2,006	-	-	-	(2,006)	-	-	-	-	-	-
Difference arisen on acquisition of Non-controlling interests	-	-	-	-	-	-	-	(24,862)	-	(24,862)	(8,138)	(33,000)
Appropriation of reserve	-	-	-	299	-	-	-	-	(299)	-	-	-
Equity-settled share-based payment transactions	-	-	-	-	-	5,218	-	-	-	5,218	-	5,218
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	-	-	(3,644)	(3,644)
At 30 June 2015	<u>7,681</u>	<u>156,240</u>	<u>45,720</u>	<u>10,875</u>	<u>25,430</u>	<u>11,459</u>	<u>3</u>	<u>(31,348)</u>	<u>176,862</u>	<u>402,922</u>	<u>-</u>	<u>402,922</u>

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	7,441	1,739
Net cash used in investing activities	(9,483)	(22,148)
Net cash generated from/(used in) financing activities	3,583	(8,676)
Net increase/(decrease in) cash and cash equivalents	1,541	(29,085)
Effect of foreign exchange rate changes	135	3,660
Cash and cash equivalents at the beginning of the period	44,874	98,563
Cash and cash equivalents at the end of the period	46,550	73,138
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	46,550	73,138

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 13 August 2015.

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 2015 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 2014, 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 2015. 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

(a) Operating segment information

The Group is principally engaged in the manufacture and sale of home furniture. All of the Group's products are of a similar nature and subject to similar risk and returns. Following the internal operation restructuring with effect from 1 January 2015, for management purpose, the management does not review the performance of the business in panel-furniture and upholstered furniture separately. Accordingly, the Group's operating activities are attributable to a single operating segment. Such changes have been restated for comparative amounts in prior years.

(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 fixed assets and prepaid lease payments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the assets.

Revenue from external customers

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Asia (excluding the People's Republic of China ("PRC"))*	85,952	71,722
Europe	6,911	7,250
PRC	125,727	184,030
The United States of America	19,723	26,071
Others	4,320	6,572
	<u>242,633</u>	<u>295,645</u>

Specified non-current assets

	As at	As at
	30 June	31 December
	2015	2014
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Asia (excluding the PRC)	800	1,096
PRC	403,591	409,944
	<u>404,391</u>	<u>411,040</u>

* Asia mainly covers Japan, Taiwan, Australia, Middle East and Indonesia; Europe mainly covers France, Georgia and Germany; and others mainly cover Canada, Africa and South America.

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

- (a) Details of the terms and conditions of the options granted that existed during the period are set out in the section headed “Share Option Scheme”, whereby all options are settled by physical delivery of shares.

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

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.

The fair value of the share options granted during the period was HK\$5,852,000 (six months ended 30 June 2014: HK\$6,100,000). The Group recognised a share option expense of HK\$3,718,000 (six months ended 30 June 2014: HK\$3,888,000) for the period ended 30 June 2015. During the period ended 30 June 2015, options were exercised to subscribe for 21,600,000 ordinary shares of the Company at a consideration of HK\$8,705,000 (six months ended 30 June 2014: Nil).

5 PROFIT BEFORE TAXATION

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

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
After charging		
(a) Finance cost		
Interest on borrowings	2,029	2,089
(b) Other items		
Auditor's remuneration	400	465
Cost of inventories sold	184,580	228,440
Staff costs (including Directors' emoluments)		
– Directors' emoluments	1,344	1,840
– others	55,143	65,724
Depreciation	8,866	8,745
Amortisation of prepaid land lease payments	574	573
Net exchange loss (gain)	(3,117)	(950)
After crediting		
Interest income	3,015	152

6 TAXATION

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

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	–	–
– PRC enterprise income tax	265	177
Prior year overprovision		
– PRC Enterprise income tax	(367)	–
	<u>(102)</u>	<u>177</u>

- (i) The provision for Hong Kong profits tax for the six months ended 30 June 2015 is calculated at 16.5% (six months ended 30 June 2014: 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 2015 (six months ended 30 June 2014: 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 2015, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$80,362,000 (30 June 2014: HK\$83,366,000) 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\$61,657,000 (30 June 2014: HK\$71,517,000) will expire within 5 years and the remaining tax losses of HK\$18,705,000 (30 June 2014: HK\$11,849,000) have no expiry date under the current tax legislation.

At 30 June 2015, the Group has unrecognised deferred tax liabilities of HK\$2,791,000 (30 June 2014: HK\$2,524,000) in relation to withholding tax on undistributed earnings of HK\$55,830,000 (30 June 2014: HK\$50,483,000) 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 2014: 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 2015 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$14,699,000 (six months ended 30 June 2014: earnings of HK\$13,135,000) and the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2015 of 748,567,258 shares (six months ended 30 June 2014: (restated: 727,196,025 ordinary shares adjusted retrospectively to reflect the effect of bonus issue on 28 October 2014).

(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\$14,699,000 (six months ended 30 June 2014: earnings of HK\$13,116,000) and the weighted average number of ordinary shares (diluted) of 758,040,952 shares (six months ended 30 June 2014: (restated: 740,272,947 ordinary shares adjusted retrospectively to reflect the effect of bonus issue on 28 October 2014), calculated as follows:

	(Unaudited)	
	2015	2014
	<i>No. of shares</i>	<i>No. of shares</i>
		(Restated)
Weighted average number of ordinary shares at 30 June	748,567,258	727,196,025
Effect of dilutive potential ordinary shares arising from share options	9,473,694	13,076,922
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share	758,040,952	740,272,947

8 INTERIM DIVIDEND

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interim dividend declared 0.47 HK cents per share (2014: (restated) 0.47 HK cents per share adjusted to reflect the effect of bonus issue)	3,610	3,394
Special dividend proposed – Nil (2014: (restated): 1.03 HK cents per share adjusted to reflect the effect of bonus issue)	–	7,514
	3,610	10,908

The Board has declared an interim dividend of HK0.47 cents (six months ended 30 June 2014 (restated): HK0.47 cents) with no special dividend (six months ended 30 June 2014: (restated: HK1.03 cents) per share for the six months ended 30 June 2015 payable on 22 September 2015 to shareholders whose names appear on the register of members of the Company as at the close of business on 15 September 2015. These condensed consolidated interim financial statements have not reflected the dividend payable.

9 PROPERTY, PLANT AND EQUIPMENT AND PREPAID LEASE PAYMENTS

	Property, plant and equipment <i>HK\$'000</i> (Unaudited)	Prepaid lease payments <i>HK\$'000</i> (Unaudited)
Six month ended 30 June 2015		
Net book value as at 1 January 2015	311,203	48,867
Exchange realignment	97	18
Additions	2,616	–
Disposal	–	–
Depreciation and amortization	(8,866)	(574)
Net book value as at 30 June 2015	305,050	48,311
Six month ended 30 June 2014		
Net book value as at 1 January 2014	316,929	50,187
Exchange realignment	(2,981)	(474)
Additions	7,040	–
Disposal	(15)	–
Depreciation and amortization	(8,745)	(573)
Net book value as at 30 June 2014	312,228	49,140

10 GOODWILL

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Cost		
Balance at beginning and end of period	<u>52,120</u>	<u>52,120</u>
Impairment losses		
Balance at beginning and end of period	<u>–</u>	<u>–</u>
Carrying amounts		
Balance at beginning and end of period	<u>52,120</u>	<u>52,120</u>

11 AVAILABLE-FOR-SALE INVESTMENTS

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Listed equity-investments, at market value		
– Hong Kong	<u>61</u>	<u>64</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:

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Within 3 months	30,100	37,842
3 to 6 months	8,741	2,970
6 to 9 months	5,353	2,636
9 months to 1 year	6,778	324
Over 1 year	142	1,087
	<u>51,114</u>	<u>44,859</u>

Trade debtors and bills receivable are non-interest bearing and are generally 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.

13 DERIVATIVE FINANCIAL INSTRUMENTS

	30 June 2015 HK\$'000 (Unaudited)	31 December 2014 HK\$'000 (Audited)
Foreign currency forward contracts	<u>–</u>	<u>114</u>

At 31 December 2014, the Group had the following foreign currency forward contracts denominated in USD. The major terms of these contracts were as follows:

Notional amount	Maturity date	Conversion to RMB with contracted exchange rate (USD: RMB)
USD500,000	March 2015	6.1980
USD500,000	December 2015	6.3070

The fair values of foreign currency forward contracts at the end of the reporting period are provided by the counterparty broker. All fair value changes were recognised in profit or loss.

14 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 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Within 3 months	100,052	122,567
3 months to 1 year	68,412	88,487
Over 1 year	22,407	11,139
	<u>190,871</u>	<u>222,193</u>

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

15 SECURED BANK LOANS

Movements in secured bank loans is analysed as follows:

	(Unaudited) HK\$'000
Six months ended 30 June 2015	
Opening amount as at 1 January 2015	67,424
Exchange realignment	23
Proceeds from new secured bank loans	26,849
Repayment of secured bank loans	<u>(28,327)</u>
Closing amount as at 30 June 2015	<u><u>65,969</u></u>
Six months ended 30 June 2014	
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	<u>(21,277)</u>
Closing amount as at 30 June 2014	<u><u>86,548</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 2015, none of the covenants relating to drawn down facilities had been breached (31 December 2014: Nil).

16 SHARE CAPITAL

(i) Authorised and issued share capital

		(Unaudited)		(Audited)	
		30 June 2015		31 December 2014	
		Number of ordinary shares of	Amount	Number of ordinary shares of	Amount
	<i>Note</i>	HK\$0.01 each	HK\$'000	HK\$0.01 each	HK\$'000
Authorised:					
At 1 January		1,000,000,000	10,000	1,000,000,000	10,000
Increase		2,000,000,000	20,000	–	–
At the end of the period/year		3,000,000,000	30,000	1,000,000,000	10,000
Issued and fully paid:					
At 1 January		746,496,025	7,465	242,398,675	2,424
Issues of bonus shares	16(ii)	–	–	484,797,350	4,848
Shares issued under share option scheme	16(iii)	21,600,000	216	19,300,000	193
At the end of the period/year		768,096,025	7,681	746,496,025	7,465

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) Bonus issue

Pursuant to the bonus issue made by the Company on 28 October 2014, the Company issued 484,797,350 ordinary shares of HK\$0.01 each on the basis of two new shares for every one existing share held.

(iii) Shares issued under share option scheme

During the period ended 30 June 2015, options were exercised to subscribe for 21,600,000 ordinary shares of the Company at a consideration of HK\$8,705,000 (Year ended 31 December 2014: HK\$7,778,000).

(iv) **Terms of unexpired and unexercised share options at the end of the reporting period**

Exercisable period	Exercise price	(Unaudited)	(Audited)
		30 June 2015	31 December 2014
		Number	Number
31 December 2015 to 31 December 2017	0.5800	10,000,000	–
1 June 2016 to 31 December 2017	0.5800	10,000,000	–
31 December 2015 to 31 December 2017	0.6620	21,500,000	–
31 March 2016 to 31 December 2017	0.6620	21,500,000	–
3 April 2014 to 31 December 2016	0.4030	19,100,000	40,700,000
11 June 2014 to 31 December 2016	0.4310	60,000,000	60,000,000
20 June 2014 to 31 December 2016	0.4900	12,000,000	12,000,000
		154,100,000	112,700,000

17 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				Fair value measurements as at			
	30 June 2015 categorised into				31 December 2014 categorised into			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Assets								
Recurring fair value measurements								
Available-for-sale investments	61	-	-	61	64	-	-	64

18 CAPITAL COMMITMENTS

	As at 30 June 2015 HK\$'000 (Unaudited)	As at 31 December 2014 HK\$'000 (Audited)
Contracted but not provided for:		
– Construction of factory building	47,554	47,536
– Acquisition of property, plant and equipment	1,005	1,573
	<u>48,559</u>	<u>49,109</u>
Authorised but not contracted for:		
– Construction of factory building	72,755	72,727
– Acquisition of property, plant and equipment	–	–
	<u>72,755</u>	<u>72,727</u>

19 CONTINGENT LIABILITIES

As at 30 June 2015, the Company continued to provide corporate guarantees on banking facilities granted to the Group's subsidiaries. The amount of corporate guarantee given and utilised by the subsidiaries as of 30 June 2015 amounted to HK\$26,849,000 (31 December 2014: HK\$6,200,000).

20 MATERIAL RELATED PARTY TRANSACTIONS

Key management personnel compensation:

	(Unaudited)	
	Six months ended 30 June	
	2015	2014
	HK\$'000	HK\$'000
Salaries and other short-term benefits	2,617	2,800
Post-employment benefits	36	49
Share-based payments	436	888
	3,089	3,737

21. ACQUISITION OF ADDITIONAL INTEREST IN SUBSIDIARIES

On 26 May 2015, the Company's wholly owned subsidiary, Great Ample Holdings Limited acquired an additional 40% of the issued shares of 60% owned subsidiaries, Astromax Investment Limited, City Leading Limited and Shenzhen Oulo Furniture Company Limited (the "Target Group"), for a purchase consideration of HK\$33,000,000. The carrying amount of the non-controlling interests in the Target Group on the date of acquisition was HK\$8,138,000. The Group recognised a decrease in non-controlling interests of HK\$8,138,000 and a decrease in equity attributable to shareholders of the Company of HK\$24,862,000. The effect of changes in the ownership interest of the Target Group on the equity attributable to shareholders of the Company during the period is summarised as follows:

	<i>HK\$'000</i>
Carrying amount of non-controlling interests acquired	8,138
Consideration paid to non-controlling interests	33,000
Excess of consideration paid recognised in capital reserve within equity	24,862

22 EVENTS AFTER THE REPORTING PERIOD

There are no significant events subsequent to 30 June 2015 which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The global economic conditions remained volatile and complicated in the period ended 30 June 2015. Depreciation of foreign currencies in Asian countries lead to unfavorable circumstances for the Group's export, as a result, the Group's export of mattress to Japan decreased substantially, the Group continuously applies the persistent growing strategies especially on the product mix for our export products, the effect of depreciation of foreign currencies is thus minimized, and the export sale remained stable.

During the period under review, In the domestic market, the Group continue to re-assessed its product ranges and the prices of its existing product mix, and has decided to drop some product lines which are not profitable. In addition, the Group has launched new products that cater for the needs of its customers. As a result, despite the decrease in turnover by 17.9%, the Group made a profit attributable to equity shareholders of approximately HK\$14.7 million (2014: HK\$13.1 million), an increase of 12.2% when compared with the same period in 2014.

Cooperation Framework Agreement

In May 2015, the Group's wholly-owned subsidiary Hong Kong Hing Lee Furniture Group Limited and Linshi Muye (“佛山市阿里順林家具有限公司”), a leading e-commerce furniture company in China, have entered into a cooperation framework agreement, pursuant to which both Companies agreed to establish a close cooperation relationship to enhance e-commerce business development and provide high quality furniture products and services to customers. The Group believes that the entering into of the Strategic Cooperation Framework Agreement will enable both parties to leverage on their respective strength, resources and expertise, which will be beneficial to the business development of both the Group and Linshi Muye. The Cooperation Framework Agreement will remain in effect till 31 December 2017.

Acquisition

During the period under review, the Group acquired an additional 40% equity stake in Astromax Investment Limited and hence its indirect wholly owned subsidiary 深圳歐羅家具有限公司 (Shenzhen Oulo Furniture Company Limited) (the “Target Group”), a sofa manufacturer. After Completion, the Target Group became a wholly-owned subsidiary of the Group. It would be beneficial to the Group as the Group can exert strong and consistent leadership in the development and execution of long term business strategies and enable the Group to further its share in the profit generated. In short run, the Acquisitions could increase the flexibility of the Group to adjust the product mix and marketing strategy and hence enhance the overall operational efficiency of the Group.

FINANCIAL REVIEW

Turnover

The Group's turnover decreased by approximately 17.9% from about HK\$295.6 million for the six months ended 30 June 2014 to HK\$242.6 million for the six months ended 30 June 2015. The decrease in turnover during the period was due to the decreases in domestic sales. The decrease in the domestic sales during the period was a result of the Group's strategy to drop some product lines that are not profitable. In addition, the domestic sales were affected by the low sentiment in the PRC.

Gross Profit

During the period under review, the Group's gross profit margin increased by 1.2 percentage point to 23.9% (six months ended 30 June 2014: 22.7%). The improvement in the gross profit was a result of improvement in our product mix.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK\$24.8 million for the six months ended 30 June 2015, against about HK\$29.4 million for the six months ended 30 June 2014. The decrease in selling and distribution expenses was a result of the stringent and effective cost control at all levels.

Administrative Expenses

For the six months ended 30 June 2015, the Group's administrative expenses were approximately HK\$21.8 million against about HK\$24.9 million for the six months ended 30 June 2014, representing a decrease of about 12.4%. Such decrease was mainly attributable to the effective control in general costs during the period under review.

Profit for the Period

Profit attributable to equity shareholders of the Company increased by approximately 12.2% from approximately HK\$13.1 million for the six months ended 30 June 2014 to approximately HK\$14.7 million for the six months ended 30 June 2015, and the net profit ratio increased from 4.4% to 6.0%.

PROSPECTS

Recently, the world has witnessed a high level of market volatility driven most recently by a large sell off in the Chinese equity markets, as well as the depreciation of Renminbi. Macro-economic uncertainties in China pose unfavorable factors and challenges to the furniture industry in the second half of 2015.

There is still much that remains to be done to improve our China operations. A calculated approach of balancing sales and profitability will continue to guide our operations as we move forward.

In the light of this, the Group has been working closely with the leading e-commerce furniture company in sake for distribution network expansion and thus its market share enlargement. Putting additional effort on e-commerce in the next half year can help internalizing the undesirable circumstance. In addition, the Group will enhance operating efficiency through optimizing management and employees' performance, meanwhile consolidating business units in order to enhance the Group's competitive and strengthen its position in furniture industry.

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\$59.3 million as at 30 June 2015 (31 December 2014: HK\$67.6 million).

As at 30 June 2015, the Group's bank borrowings amounted to HK\$66.0 million (31 December 2014: HK\$67.4 million). As at the same date, the gearing ratio (total debt/total equity) was 0.9 (31 December 2014: 0.8).

As at 30 June 2015, the current ratio (current assets/current liabilities) was 1.0 (31 December 2014: 1.0) and the net current assets amounted to HK\$1.1 million (31 December 2014: HK\$2.6 million).

The ageing analysis of trade creditors and bills payable and the movement of bank borrowings are set out in Notes 14 and 15 to the financial statements of this 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 2015, the Group's banking facilities 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\$14.8 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 2015, the Group employed approximately 1,450 employees (30 June 2014: approximately 1,750). Total staff cost, including Directors' emoluments, amounted to HK\$56.5 million (30 June 2014: HK\$67.6 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 has declared an interim dividend of HK0.47 cents (six months ended 30 June 2014: HK0.47 cents (adjusted to reflect the bonus issue in year 2014)) and does not declare a special dividend (six months ended 30 June 2014: HK1.03 cents (adjusted to reflect the bonus issue in year 2014)) per share for the six months ended 30 June 2015 payable on 22 September 2015 to shareholders whose names appear on the register of members of the Company as at the close of business on 15 September 2015.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from 11 September 2015 to 15 September 2015, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for the interim dividend, all transfers of shares accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on 10 September 2015.

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

During the 6-month period ended 30 June 2015, 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 30 June 2015, 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 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 established an audit committee on 29 May 2009 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 2015.

REMUNERATION COMMITTEE

The Company established a remuneration committee on 29 May 2009 with written terms of reference which are in compliance with the code provisions of the 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 established a nomination committee on 29 May 2009 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 2015 interim report will be published on the website of the Stock Exchange at www.hkex.com.hk and on the Company's website at www.hingleehk.com.hk.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to our shareholders, customers and business partners for their continuous supports. My thanks also go to all staff members of the Group for their contributions and commitment to the continuous success of the Group.

By Order of the Board of
Hing Lee (HK) Holdings Limited
Sung Kai Hing
Chairman and Chief Executive Officer

Hong Kong, 13 August 2015

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.