



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
REPORT
2022**

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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. Kong Hing Ki

Mr. Feng Jianzhong

Ms. Leung Yuen Man

AUDIT COMMITTEE

Mr. Kong Hing Ki *(Chairman)*

Mr. Feng Jianzhong

Ms. Leung Yuen Man

REMUNERATION COMMITTEE

Ms. Leung Yuen Man *(Chairman)*

Mr. Feng Jianzhong

Mr. Kong Hing Ki

NOMINATION COMMITTEE

Mr. Feng Jianzhong *(Chairman)*

Mr. Sung Kai Hing

Mr. Cheung Kong Cheung

Mr. Kong Hing Ki

Ms. Leung Yuen Man

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

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 2022 (the “Period”) with comparative figures for the corresponding period in 2021.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	Notes	(Unaudited)	
		Six months ended 30 June	
		2022	2021
		HK\$'000	HK\$'000
Turnover	3	57,091	87,041
Cost of sales		(45,840)	(75,555)
Gross profit		11,251	11,486
Other net income		506	713
Selling and distribution expenses		(2,416)	(1,335)
Administrative expenses		(18,958)	(6,835)
Profit/(loss) from operations		(9,617)	4,029
Finance costs		(2,846)	(2,996)
Profit/(loss) before taxation	4	(12,463)	1,033
Income tax	5	(25)	–
Profit/(loss) for the period		(12,488)	1,033
Attributable to:			
Equity shareholders of the Company		(12,488)	1,033
		<i>(HK cents)</i>	<i>(HK cents)</i>
Profit/(loss) per share attributable to the equity holders of the Company			
– basic	6	(1.55)	0.13
– diluted	6	(1.55)	0.13
		HK\$'000	HK\$'000
Dividend	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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the period	<u>(12,488)</u>	<u>1,033</u>
Other comprehensive income/(loss)		
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>(1,287)</u>	<u>–</u>
	<u>(1,287)</u>	<u>7</u>
Total comprehensive income/(loss) for the period	<u><u>(13,775)</u></u>	<u><u>1,040</u></u>
Total comprehensive income/(loss) attributable to		
– equity shareholders of the Company	<u><u>(13,775)</u></u>	<u><u>1,040</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 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
	Notes		
Non-current assets			
Property, plant and equipment	8	93,214	110,585
Right-of use asset	9	28,559	31,815
		<u>121,773</u>	<u>142,400</u>
Current assets			
Inventories		11,841	7,816
Trade debtors and other receivables	10	86,421	92,162
Cash and cash equivalents		35,752	45,974
		<u>134,014</u>	<u>145,952</u>
Current liabilities			
Trade creditors and bills payable	11	23,152	37,404
Other payables and accrued charges		12,355	9,210
Bank loans	12	76,112	81,776
Lease liabilities		3,067	3,115
		<u>114,686</u>	<u>131,505</u>
Net current assets		<u>19,328</u>	<u>14,447</u>
Total assets less current liabilities		<u>141,101</u>	<u>156,847</u>
Non-current liabilities			
Lease liabilities		7,465	9,436
Net assets		<u>133,636</u>	<u>147,411</u>
Capital and reserves			
Share capital	13	8,081	8,081
Reserves		125,555	139,330
Total equity		<u>133,636</u>	<u>147,411</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
At 1 January 2021	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
Total comprehensive income for the period	-	-	7	-	-	-	1,033	1,040
At 30 June 2021	<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>
At 1 January 2022	8,081	176,627	5,370	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)
At 30 June 2022	<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>

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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash used in operating activities	(6,058)	(13,910)
Net cash generated from/(used in) investing activities	–	137
Net cash generated from/(used in) financing activities	<u>(3,881)</u>	<u>7,450</u>
Net decrease in cash and cash equivalents	(9,939)	(6,323)
Effect of foreign exchange rate changes	(283)	618
Cash and cash equivalents at the beginning of the period	<u>45,974</u>	<u>70,415</u>
Cash and cash equivalents at the end of the period	<u><u>35,752</u></u>	<u><u>64,710</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u><u>35,752</u></u>	<u><u>64,710</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 26 August 2022.

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 2022 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 2021, 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 3, Reference to the Conceptual Framework

Amendments to HKAS 16, Property, Plant and Equipment: Proceeds before Intended Use

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

Annual Improvements to HKFRSs 2018-2020 Cycle

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current

Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies

Amendments to HKAS 8, Definition of Accounting Estimates

Amendments 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	
	2022	2021
	HK\$'000	HK\$'000
Asia (excluding the People's Republic of China ("PRC"))*	23,460	63,103
Europe	6,659	6,454
PRC	6,176	7,680
The United States of America	20,796	9,804
	<u>57,091</u>	<u>87,041</u>

Specified non-current assets

	As at	As at
	30 June	31 December
	2022	2021
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Asia (excluding the PRC)	3	8
PRC	121,770	142,392
	<u>121,773</u>	<u>142,400</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	
	2022	2021
	HK\$'000	HK\$'000
After charging		
(a) Finance cost		
Interest on borrowings	2,501	2,557
Interest expense on the lease liabilities	345	439
	<u>2,846</u>	<u>2,996</u>
(b) Other items		
Auditor's remuneration	375	400
Cost of inventories sold	45,840	75,555
Staff costs (including Directors' emoluments)		
– Directors' emoluments	600	1,019
– Others	7,909	8,780
Depreciation of		
– Property, plant and equipment	3,149	3,617
– Right-of-use assets	1,911	1,883
	<u>1,911</u>	<u>1,883</u>
After crediting/(debiting)		
Interest income	24	88
Net exchange gain/(loss)	(1,568)	2,696
	<u>(1,568)</u>	<u>2,696</u>

5 Income Tax

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

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
Current income tax		
– PRC enterprise income tax	25	–
	<u>25</u>	<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 2021: 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 2022 (six months ended 30 June 2021: 25%).

(b) Deferred taxation

As at 30 June 2022, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$77,757,000 (30 June 2021: HK\$66,539,000) 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\$46,847,000 (30 June 2021: HK\$36,885,000) will expire within 5 years and the remaining tax losses of HK\$30,910,000 (30 June 2021: HK\$29,654,000) 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 2021: Nil), and therefore, no provision for deferred tax has been made.

6 (Loss)/Earnings per share

(a) Basic (loss)/earnings per share

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2022 is based on the loss attributable to ordinary equity shareholders of the Company of HK\$12,488,000 (six months ended 30 June 2021: profit of HK\$1,033,000) and the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2022 of 808,096,025 shares (six months ended 30 June 2021: 808,096,025 ordinary shares).

(b) Diluted (loss)/earnings per share

The calculation of diluted (loss)/earnings per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$12,488,000 (six months ended 30 June 2021: profit of HK\$1,033,000) and the weighted average number of ordinary shares (diluted) of 808,096,025 shares (six months ended 30 June 2021: 808,096,025 ordinary shares), calculated as follows:

	(Unaudited)	
	2022	2021
	<i>No. of shares</i>	<i>No. of shares</i>
Weighted average number of ordinary shares at 30 June	808,096,025	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 (loss)/earning per share	<u>808,096,025</u>	<u>808,096,025</u>

7 Interim dividend

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2022 (six months ended 30 June 2021: Nil).

8 Property, plant and equipment

	Property, plant and equipment HK\$'000 (Unaudited)
Six months ended 30 June 2022	
Net book value as at 1 January 2022	110,585
Exchange realignment	(4,861)
Additions	–
Impairment loss	(9,361)
Depreciation and amortization	(3,149)
	<hr/>
Net book value as at 30 June 2022	93,214
	<hr/> <hr/>
Six months ended 30 June 2021	
Net book value as at 1 January 2021	113,367
Exchange realignment	2,914
Additions	–
Disposal	–
Depreciation and amortization	(3,617)
	<hr/>
Net book value as at 30 June 2021	112,664
	<hr/> <hr/>

9 Right-of-use assets

	Properties <i>HK\$'000</i> (Unaudited)	Land use rights <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Six months ended 30 June 2022			
Net book value as at 1 January 2022	11,607	20,208	31,815
Exchange realignment	(880)	(464)	(1,344)
Depreciation	(280)	(1,632)	(1,912)
	<u>10,447</u>	<u>18,112</u>	<u>28,559</u>
Net book value as at 30 June 2022	<u><u>10,447</u></u>	<u><u>18,112</u></u>	<u><u>28,559</u></u>
Six months ended 30 June 2021			
Net book value as at 1 January 2021	14,944	20,184	35,128
Exchange realignment	77	522	599
Depreciation	(1,599)	(284)	(1,883)
	<u>13,422</u>	<u>20,422</u>	<u>33,844</u>
Net book value as at 30 June 2021	<u><u>13,422</u></u>	<u><u>20,422</u></u>	<u><u>33,844</u></u>

10 Trade and other receivables

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Trade receivables	35,178	42,224
Less: Loss allowance	<u>(4,116)</u>	<u>(4,308)</u>
	31,062	37,916
Deposits paid for purchase of property, plant and equipment	117	49
Deposits paid to suppliers	50,595	48,626
Value added tax recoverable	1,135	3,112
Other deposits, prepayments and receivables	<u>3,512</u>	<u>2,459</u>
	55,359	54,246
	86,421	92,162

The amount of deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK\$3,198,000 (2021: HK\$1,067,000). 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:

	30 June 2022 HK\$'000 (Unaudited)	31 December 2021 HK\$'000 (Audited)
Within 3 months	6,564	19,857
3 months to 1 year	24,498	11,297
Over 1 year	<u>-</u>	<u>6,762</u>
	31,062	37,916

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 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
Within 3 months	11,371	29,157
3 months to 1 year	6,753	2,174
Over 1 year	<u>5,028</u>	<u>6,073</u>
	<u>23,152</u>	<u>37,404</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:

	(Unaudited) HK\$'000
Six months ended 30 June 2022	
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>
Six months ended 30 June 2021	
Opening amount as at 1 January 2021	69,824
Exchange realignment	1,806
Proceeds from new secured bank loans	53,456
Repayment of secured bank loans	<u>(43,872)</u>
Closing amount as at 30 June 2021	<u>81,214</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 2022, none of the covenants relating to drawn down facilities had been breached (31 December 2021: Nil).

13 Share capital

(i) Authorised and issued share capital

	(Unaudited) 30 June 2022		(Audited) 31 December 2021	
	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
Authorised:				
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>
Issued and fully paid:				
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 2022 (30 June 2021: 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 2022 (31 December 2021: Nil).

14 Capital commitments

	As at 30 June 2022 <i>HK\$'000</i> (Unaudited)	As at 31 December 2021 <i>HK\$'000</i> (Audited)
Contracted for:		
– Acquisition of property, plant and equipment	<u>120</u>	<u>118</u>
	<u>120</u>	<u>118</u>

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

15 Contingent liabilities

At 30 June 2022, 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 2021: HK\$97,847,000). These facilities were utilised to the extent of HK\$81,214,000 as at 30 June 2022 (31 December 2021: HK\$81,766,000).

16 Material Related Party Transactions

Key management personnel compensation:

	(Unaudited)	
	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries and other short-term benefits	1,260	1,645
Post-employment benefits	<u>34</u>	<u>34</u>
	<u>1,294</u>	<u>1,679</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 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the period under review, COVID-19 containment measures in mainland China in response to COVID-19 resurgence has led to supply chain and logistic disruptions. In addition, the Sino-US trade friction and depreciation of major currencies against the USD posted further challenges in overseas economies and hence lowered the demand for our products, resulting in delays in product shipment schedules, cancelled orders and delays in new products development.

In addition, due to COVID-19, customers select their items through video conferencing with the help of virtual graphics, with the majority of overseas customers going further by requesting the delivery of selected items to their agents for final decision-making. The decline in revenue and the keeping of showrooms underutilized has caused the increase in the impairment of right-of-use assets and property, plant and equipment.

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 period under review, the professional services provided a steady income to the Group.

FINANCIAL REVIEW

Turnover

The Group's turnover decreased by approximately 34.4% from about HK\$87.0 million for the six months ended 30 June 2021 to HK\$57.1 million for the six months ended 30 June 2022.

The outbreak of COVID-19 ("COVID-19 Outbreak") has consistently impacted the business operation of the Group as well as our customers. The depreciation of major currencies against the USD posted further challenges to our overseas customers 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. 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 19.7% for the six months ended 30 June 2022, against 13.2% for the six months ended 30 June 2021.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK\$2.4 million for the six months ended 30 June 2022, against about HK\$1.3 million for the six months ended 30 June 2021.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$19.0 million for the six months ended 30 June 2022, against about HK\$6.8 million for the six months ended 30 June 2021. The increase in administrative expenses during the period under review was mainly attributable to the expenses of impairment of the Group's non-current assets of approximately HKD9.4 million, the costs associated with restructuring the Group's business units, as well as the foreign exchange loss of approximately HKD1.6 million arising from conversion of the foreign currencies to Hong Kong dollars, the functional currency of the Group.

(Loss)/Profit for the Period

Loss attributable to equity shareholders of the Company for the six months ended 30 June 2022 was approximately HK\$12.5 million as compared to profit attributable to equity shareholders of the Company of approximately HK\$1.0 million for the corresponding period last year.

PROSPECTS

Looking forward, we believe that the COVID-19 pandemic, the fluctuation in currency exchange rates and commodity prices remain key factors affecting the economy and overall business outlook. The Group anticipates an upsurge in raw material costs and fluctuating market consumption patterns and we will closely monitor the situation. 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\$35.8 million as at 30 June 2022 (31 December 2021: HK\$46.0 million).

As at 30 June 2022, the Group's bank borrowings amounted to HK\$76.1 million (31 December 2021: HK\$81.8 million). As at the same date, the gearing ratio (total debt/total equity) was 0.9 (31 December 2021: 1.0).

As at 30 June 2022, the current ratio (current assets/current liabilities) was 1.2 (31 December 2021: 1.1) and the net current assets amounted to HK\$19.3 million (31 December 2021: HK\$14.4 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 2022, 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 2022, the Group employed approximately 150 employees (30 June 2021: approximately 160). Total staff cost, including Directors' emoluments, amounted to HK\$9.7 million (30 June 2021: 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.

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 2022 (six months ended 30 June 2021: Nil).

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

During the six months period ended 30 June 2022, 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 2022, 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 <i>(Note 1)</i>
Mr. Sung Kai Hing <i>(note 2)</i>	Beneficial owner and Interest of a controlled corporation	288,596,777	35.71%
Mr. Cheung Kong Cheung <i>(note 3)</i>	Beneficial owner and Interest of a controlled corporation	62,040,465	7.68%
Mr. Kong Hing Ki	Beneficial owner	900,000	0.11%

Notes:

1. Based on 808,096,025 Shares in issue as at 30 June 2022.
2. 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.
3. 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 2022, 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 1) %	Note
King Right	Beneficial owner	258,906,777	32.04	2
Ms. Wong Wai King	Family interests	288,596,777	35.71	2
United Sino	Beneficial owner	54,840,465	6.79	3
Ms. Li Xin	Family interests	62,040,465	7.68	3
Golden Sunday Limited ("Golden Sunday")	Beneficial owner	54,840,465	6.79	4
Mr. Chan Kwok Kin	Beneficial owner and Interest of a controlled corporation	62,040,465	7.68	4
Ms. Ho Fung Ying	Family interests	62,040,465	7.68	4
Top Right Trading Limited ("Top Right")	Beneficial owner	51,586,293	6.38	5
Mr. Huang Wei Ye	Beneficial owner and Interest of a controlled corporation	58,936,293	7.29	5
Ms. Ye Jian Qun	Family interests	58,936,293	7.29	4

Notes:

1. Based on 808,096,025 Shares in issue as at 30 June 2022.
2. 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.
3. 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.

4. 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.
5. 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, which expired on 28 May 2019. The Company adopted a new share option scheme (the “Share Option Scheme”) at its annual general meeting on 17 May 2019. The purpose of the Share Option 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 Share Option 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 2022, 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 report for the six months ended 30 June 2022.

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 report has not been audited but has been reviewed by the Audit Committee of the Company.

PUBLICATION OF UNAUDITED INTERIM REPORT

The Company's 2022 interim report is published on the website of the Stock Exchange at www.hkexnews.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, 26 August 2022