



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
2024

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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
Shenzhen Rural Commercial Bank

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

Clarendon House
2 Church Street
Hamilton HM 11
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 2024 (the “Period”) with comparative figures for the corresponding period in 2023.

CONDENSED CONSOLIDATED INTERIM STATEMENT OF PROFIT OR LOSS

	Notes	(Unaudited)	
		Six months ended 30 June	
		2024	2023
		HK\$'000	HK\$'000
Turnover	3	61,530	36,992
Cost of sales		52,385	26,272
Gross profit		9,145	10,720
Other net income		784	310
Selling and distribution expenses		(2,415)	(2,230)
Administrative expenses		(4,815)	(5,473)
Profit from operations		2,699	3,327
Finance costs		(1,602)	(2,560)
Profit before taxation	4	1,097	767
Income tax	5	(37)	(1)
Profit for the period		1,060	766
Attributable to:			
Equity shareholders of the Company		1,060	766
		<i>(HK cents)</i>	<i>(HK cents)</i>
Profit per share attributable to the equity holders of the Company			
– basic	6	0.01	0.01
– diluted	6	0.01	0.01
		<i>HK\$'000</i>	<i>HK\$'000</i>
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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	<u>1,060</u>	<u>766</u>
Other comprehensive loss		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries (after tax)	<u>(51)</u>	<u>(396)</u>
	<u>(51)</u>	<u>(396)</u>
Total comprehensive income for the period	<u><u>1,009</u></u>	<u><u>370</u></u>
Total comprehensive income attributable to		
– equity shareholders of the Company	<u><u>1,009</u></u>	<u><u>370</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 2024 <i>HK\$'000</i> (Unaudited)	As at 31 December 2023 <i>HK\$'000</i> (Audited)
Non-current assets			
Property, plant and equipment	8	73,631	75,448
Right-of-use asset	9	19,833	22,127
		<u>93,464</u>	<u>97,575</u>
Current assets			
Inventories		3,592	4,099
Trade and other receivables	10	43,777	47,086
Cash and cash equivalents		38,929	33,510
		<u>86,298</u>	<u>84,695</u>
Current liabilities			
Trade and bills payables	11	7,903	9,914
Other payables and accrued charges		4,622	4,891
Bank loans	12	54,762	53,828
Lease liabilities		4,102	3,987
		<u>71,389</u>	<u>72,620</u>
Net current assets		<u>14,909</u>	<u>12,075</u>
Total assets less current liabilities		<u>108,373</u>	<u>109,650</u>
Non-current liabilities			
Lease liabilities		–	2,286
Provision for long service payments		191	191
		<u>191</u>	<u>2,477</u>
Net assets		<u>108,182</u>	<u>107,173</u>
Capital and reserves			
Share capital	13	8,081	8,081
Reserves		100,101	99,092
Total equity		<u>108,182</u>	<u>107,173</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	Accumulated losses	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2024	8,081	176,627	3,584	5,541	7,445	(24,862)	(69,243)	107,173
Change in equity								
Profit for the period	-	-	-	-	-	-	1,060	1,060
Other comprehensive loss	-	-	(51)	-	-	-	-	(51)
Total comprehensive income for the period	-	-	(51)	-	-	-	1,060	1,009
Appropriation of reserve	-	-	-	148	-	-	(148)	-
At 30 June 2024	<u>8,081</u>	<u>176,627</u>	<u>3,533</u>	<u>5,689</u>	<u>7,445</u>	<u>(24,862)</u>	<u>(68,331)</u>	<u>108,182</u>
At 1 January 2023	8,081	176,627	3,686	5,541	7,445	(24,862)	(57,787)	118,731
Change in equity								
Profit for the period	-	-	-	-	-	-	766	766
Other comprehensive income	-	-	(396)	-	-	-	-	(396)
Total comprehensive income for the period	-	-	(396)	-	-	-	766	370
At 30 June 2023	<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>

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	
	2024	2023
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net cash generated from operating activities	6,456	6,690
Net cash used in investing activities	–	(478)
Net cash used in financing activities	(975)	(8,855)
Net increase/(decrease) in cash and cash equivalents	5,481	(2,643)
Effect of foreign exchange rate changes	(62)	(274)
Cash and cash equivalents at the beginning of the period	<u>33,510</u>	<u>38,050</u>
Cash and cash equivalents at the end of the period	<u><u>38,929</u></u>	<u><u>35,133</u></u>
Analysis of the balances of cash and cash equivalents		
Cash and bank balances	<u><u>38,929</u></u>	<u><u>35,133</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 Clarendon House, 2 Church Street, Hamilton HM 11, 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 30 August 2024.

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 2024 of the Group have been prepared in accordance with the applicable disclosure requirements of Appendix D2 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 2023, 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 HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current Liabilities with Covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendment to HKAS 7 and HKFRS 7	Supplier Finance Arrangements

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	
	2024	2023
	HK\$'000	HK\$'000
Asia (excluding the People's Republic of China ("PRC"))*	41,274	12,925
Europe	2,991	563
PRC	3,146	6,770
The United States of America	14,119	16,734
	<u>61,530</u>	<u>36,992</u>

Specified non-current assets

	As at	As at
	30 June	31 December
	2024	2023
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Asia (excluding the PRC)	648	877
PRC	92,816	96,698
	<u>93,464</u>	<u>97,575</u>

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

4 Profit before taxation

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

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
After charging		
(a) Finance cost		
Interest on borrowings	1,443	2,285
Interest expense on the lease liabilities	159	275
	<u>1,602</u>	<u>2,560</u>
(b) Other items		
Auditor's remuneration	350	350
Cost of inventories sold	52,385	26,272
Staff costs (including Directors' emoluments)		
– Directors' emoluments	659	659
– Others	8,090	7,282
Depreciation of		
– Property, plant and equipment	1,237	2,633
– Right-of-use assets	1,978	2,016
Foreign exchange loss, net	287	3,213
	<u>452</u>	<u>544</u>
After crediting		
Interest income	452	544

5 Income Tax

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

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Current income tax		
– PRC enterprise income tax	37	1
	<u>37</u>	<u>1</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 2023: 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 2024 (six months ended 30 June 2023: 25%).

(b) Deferred taxation

As at 30 June 2024, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$70,274,000 (30 June 2023: HK\$69,345,000) 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\$25,553,000 (30 June 2023: HK\$26,821,000) will expire within 5 years and the remaining tax losses of HK\$45,326,000 (30 June 2023: HK\$42,524,000) 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 2023: Nil), and therefore, no provision for deferred tax has been made.

6 Earnings per share

(a) Basic earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2024 is based on the profit attributable to ordinary equity shareholders of the Company of HK\$1,060,000 (six months ended 30 June 2023: HK\$766,000) and the weighted average number of ordinary shares of the Company in issue during the six months ended 30 June 2024 of 808,096,025 shares (six months ended 30 June 2023: 808,096,025 ordinary shares).

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$1,060,000 (six months ended 30 June 2023: HK\$766,000) and the weighted average number of ordinary shares (diluted) of 808,096,025 shares (six months ended 30 June 2023: 808,096,025 ordinary shares), calculated as follows:

	(Unaudited)	
	2024	2023
	<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	—	—
	<hr/>	<hr/>
Weighted average number of ordinary shares for the purpose of calculating diluted earning per share	<u>808,096,025</u>	<u>808,096,025</u>

7 Dividend

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2024 (six months ended 30 June 2023: Nil).

The Board proposed the payment of a special dividend of HK7.51 cents per share to the shareholders of the Company (six months ended 30 June 2023: Nil). Subject to the satisfaction of the conditions as set out in the circular of the Company dated 26 July 2024, the payment of the special dividend was approved at the special general meeting of the Company on 16 August 2024. All conditions were satisfied on 21 August 2024 and the special dividend was paid on 30 August 2024 to the shareholders whose names appear on the register of members of the Company on 23 August 2024. The special dividend has not been recognised as a liability at the end of the reporting period.

8 Property, plant and equipment

	Property, plant and equipment HK\$'000 (Unaudited)
Six months ended 30 June 2024	
Net book value as at 1 January 2024	75,448
Exchange realignment	(580)
Additions	–
Depreciation and amortization	(1,237)
	<u>73,631</u>
Net book value as at 30 June 2024	
	<u><u>73,631</u></u>
Six months ended 30 June 2023	
Net book value as at 1 January 2023	82,013
Exchange realignment	(1,923)
Depreciation and amortization	(2,633)
	<u>77,457</u>
Net book value as at 30 June 2023	<u><u>77,457</u></u>

9 Right-of-use assets

	Properties HK\$'000 (Unaudited)	Land use rights HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Six months ended 30 June 2024			
Net book value as at 1 January 2024	5,365	16,762	22,127
Exchange realignment	(198)	(118)	(316)
Depreciation	(1,722)	(256)	(1,978)
	<u>3,445</u>	<u>16,388</u>	<u>19,833</u>
Net book value as at 30 June 2024	<u><u>3,445</u></u>	<u><u>16,388</u></u>	<u><u>19,833</u></u>
Six months ended 30 June 2023			
Net book value as at 1 January 2023	8,924	17,974	26,898
Exchange realignment	(182)	(550)	(732)
Depreciation	(1,755)	(261)	(2,016)
	<u>6,987</u>	<u>17,163</u>	<u>24,150</u>
Net book value as at 30 June 2023	<u><u>6,987</u></u>	<u><u>17,163</u></u>	<u><u>24,150</u></u>

10 Trade and other receivables

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Trade receivables	33,518	33,021
Less: Loss allowance	(11,404)	(11,464)
	22,114	21,557
Deposits paid to suppliers	17,024	23,435
Value added tax recoverable	2,567	1,785
Other deposits, prepayments and receivables	3,799	2,046
	23,390	27,266
Less: Loss allowance	(1,727)	(1,737)
	21,663	25,529
	43,777	47,086

The amount of deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK\$841,000 (2023: HK\$1,803,000). 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 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Within 3 months	20,372	12,598
3 months to 1 year	1,742	5,639
Over 1 year	–	3,320
	22,114	21,557

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 and bills payables

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

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Within 3 months	3,692	4,939
3 months to 1 year	936	1,360
Over 1 year	3,275	3,615
	<u>7,903</u>	<u>9,914</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 2024	
Opening amount as at 1 January 2024	53,828
Exchange realignment	(388)
Proceeds from new secured bank loans	3,287
Repayment of secured bank loans	(1,965)
	<u>54,762</u>
Closing amount as at 30 June 2024	
Six months ended 30 June 2023	
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	(12,770)
	<u>63,505</u>
Closing amount as at 30 June 2023	

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 2024, none of the covenants relating to drawn down facilities had been breached (31 December 2023: Nil).

13 Share capital

(i) Authorised and issued share capital

	(Unaudited) 30 June 2024		(Audited) 31 December 2023	
	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 2024 (30 June 2023: 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 2024 (31 December 2023: Nil).

14 Capital commitments

	As at 30 June 2024 HK\$'000 (Unaudited)	As at 31 December 2023 HK\$'000 (Audited)
Contracted for:		
– Acquisition of property, plant and equipment	–	107
	<u>–</u>	<u>107</u>

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

15 Contingent liabilities

At 30 June 2024, the Company had contingent liabilities in respect of guarantees given for banking facilities granted to certain subsidiaries to the extent of HK\$88,279,000 (31 December 2023: HK\$88,279,000). These facilities were utilised to the extent of HK\$54,762,000 as at 30 June 2024 (31 December 2023: HK\$53,828,000).

16 Material Related Party Transactions

Key management personnel compensation:

	(Unaudited)	
	Six months ended 30 June	
	2024	2023
	HK\$'000	HK\$'000
Salaries and other short-term benefits	1,286	1,324
Post-employment benefits	18	25
	<u>1,304</u>	<u>1,349</u>

Compensation to Directors which formed part of the key management personnel compensation were continuing connected transactions exempt from the connected transaction requirements pursuant to Rule 14A.95 of the Listing Rules.

17 Events after the reporting period

On 13 June 2024, Great Ample Holdings Limited, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the purchasers regarding the disposal of 100% equity interest in its wholly-owned subsidiary namely Success Profit International Limited, at the consideration of HK\$62,000,000. Completion took place on 21 August 2024. Details are set out in the Company's announcements dated 13 June 2024 and 21 August 2024 and the Company's circular dated 26 July 2024.

Save as disclosed above, up to the date of this report, 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 2024.

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.

Since year 2020, the Group has introduced promotion business by providing professional services such as layout design as well as fitting and display of products. During the period under review, following the expiry of the business contract in March 2024, the promotion business has ceased.

The PRC real estate sector has been experiencing a significant downturn which has resulted in a decline in demand for the furniture products in the PRC and hence the demand for the Group's products. In view of the foregoing challenges in the PRC market, the Group is adjusting its business strategy to focus on the business development with overseas customers and the expansion of its customer profile and sales in the overseas market especially in the Middle East and Japan markets. The Group has successfully increased its sales in Japan during the period under review.

FINANCIAL REVIEW

Turnover

The Group's turnover increased by approximately 66.3% from about HK\$37.0 million for the six months ended 30 June 2023 to HK\$61.5 million for the six months ended 30 June 2024. The Group has successfully increased its sales in Japan during the period under review. As a result, the business of the Group has grown.

Gross Profit

The Group's promotion business which provided a higher profit margin ceased after the business contract ended in March 2024. In addition, the Group has successfully increased its export sales, which has a lower gross profit margin, and the proportion of the export sales business has increased. As a result, the Group's gross profit margin decreased to 14.9% for the six months ended 30 June 2024, against 29.0% for the six months ended 30 June 2023.

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 2024, against about HK\$2.2 million for the six months ended 30 June 2023.

Administrative Expenses

The Group's administrative expenses amounted to approximately HK\$4.8 million for the six months ended 30 June 2024, against about HK\$5.5 million for the six months ended 30 June 2023.

Profit for the Period

Profit attributable to equity shareholders of the Company for the six months ended 30 June 2024 was approximately HK\$1.1 million as compared to profit attributable to equity shareholders of the Company of approximately HK\$0.8 million for the corresponding period last year.

PROSPECTS

The Group has been focusing on the overseas markets by exporting its wood-based furniture, sofa and mattress products to overseas countries mainly in Asia, Europe and the United States. The Group will put more effort in research, development and promoting the new products by participating in trade fairs and will make frequent contact with customers to keep them updated on the Group's latest offerings and share the market trend information with the customers to assist them in making favourable procurement decisions. The management of the Group will closely monitor the on-going market trend and customers' preference in order to ensure the design and quality of the home furniture products are keeping abreast of the market.

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 that our team and corporate values will 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\$38.9 million as at 30 June 2024 (31 December 2023: HK\$33.5 million).

As at 30 June 2024, the Group's bank borrowings amounted to HK\$54.8 million (31 December 2023: HK\$53.8 million). As at the same date, the gearing ratio (total debt/total equity) was 0.7 (31 December 2023: 0.7).

As at 30 June 2024, the current ratio (current assets/current liabilities) was 1.2 (31 December 2023: 1.2) and the net current assets amounted to HK\$14.9 million (31 December 2023: HK\$12.1 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 2024, 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 members of the senior management of the Group; and (iii) corporate guarantees from the Company and a subsidiary.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

On 13 June 2024, Great Ample Holdings Limited, a wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement with the purchasers regarding the disposal of 100% equity interest in its wholly-owned subsidiary namely Success Profit International Limited, at the consideration of HK\$62,000,000. Completion took place on 21 August 2024. Details are set out in the Company's announcements dated 13 June 2024 and 21 August 2024 and the Company's circular dated 26 July 2024.

Save as disclosed above, there were no significant investments, material acquisitions and disposals of subsidiaries, associates and joint ventures.

CONTINGENT LIABILITIES

At 30 June 2024, the Company had contingent liabilities in respect of guarantees given for banking facilities granted to certain subsidiaries to the extent of HK\$88,279,000 (31 December 2023: HK\$88,279,000). These facilities were utilised to the extent of HK\$54,762,000 as at 30 June 2024 (31 December 2023: HK\$53,828,000).

EMPLOYEES

As at 30 June 2024, the Group employed approximately 130 employees (30 June 2023: approximately 130). Total staff cost, including Directors' emoluments, amounted to HK\$8.7 million (30 June 2023: HK\$7.9 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.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the period ended 30 June 2024 (six months ended 30 June 2023: Nil).

The Board proposed the payment of a special dividend of HK7.51 cents per share to the shareholders of the Company (six months ended 30 June 2023: Nil). Subject to the satisfaction of the conditions as set out in the circular of the Company dated 26 July 2024, the payment of the special dividend was approved at the special general meeting of the Company on 16 August 2024. All conditions were satisfied on 21 August 2024 and the special dividend was paid on 30 August 2024 to the shareholders whose names appear on the register of members of the Company on 23 August 2024.

CORPORATE GOVERNANCE AND OTHER INFORMATION **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES**

During the six months period ended 30 June 2024, 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 2024, 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 C3 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 (Note 1)
Mr. Sung Kai Hing (note 2)	Beneficial owner and Interest of a controlled corporation	288,596,777	35.71%
Mr. Cheung Kong Cheung (note 3)	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 2024.
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 2024, 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	5

Notes:

1. Based on 808,096,025 Shares in issue as at 30 June 2024.
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.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the issued share capital of the Company as at the adoption date of the Share Option Scheme on 17 May 2019, such 10% being equivalent to 80,809,602 Shares, representing 10% of the issued share capital of the Company as at the date of this interim report.

No share options were outstanding as at 30 June 2024. There is no share options movement during the period ended 30 June 2024.

Since the adoption date of the Share Option Scheme on 17 May 2019 and up to and including the date of this interim report, no share options were granted under the Share Option Scheme. Therefore, as at 1 January 2024, 30 June 2024 and the date of this interim report, share options to subscribe for a maximum of 80,809,602 Shares, representing 10% of the issued share capital of the Company as at the date of this interim report, were available for grant under the Share Option Scheme.

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 2024, the Company has complied with the Corporate Governance Code (the “CG Code”) contained in Appendix C1 of the Listing Rules 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 for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (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 2024.

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 2024 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, 30 August 2024