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(Incorporated in the British Virgin Islands and re-domiciled and continued in Bermuda with limited liability)
(Stock code: 396)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2021**

The board of directors (the “Board”) of Hing Lee (HK) Holdings Limited (the “Company”) announces the audited consolidated results of the Company and its subsidiaries (the “Group”) for the year ended 31 December 2021 with comparative figures for the corresponding year ended 31 December 2020.

The results of the Group have been reviewed by the Company’s audit committee and the Board.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

for the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	4	175,010	203,466
Cost of sales		<u>(150,931)</u>	<u>(184,646)</u>
Gross profit		24,079	18,820
Other net income	5	585	2,289
Selling and distribution expenses		(8,945)	(16,187)
Administrative expenses		<u>(15,285)</u>	<u>(61,483)</u>
Profit/(loss) from operations		434	(56,561)
Finance costs	6(a)	<u>(5,941)</u>	<u>(2,679)</u>
Loss before taxation	6	(5,507)	(59,240)
Income tax (expense)/credit	7	<u>(12)</u>	<u>35</u>
Loss for the year		<u>(5,519)</u>	<u>(59,205)</u>
		HK cents	HK cents
Loss per share	8		
– Basic		<u>(0.68)</u>	<u>(7.33)</u>
– Diluted		<u>(0.68)</u>	<u>(7.33)</u>

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

for the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 HK\$'000	2020 <i>HK\$'000</i>
Loss for the year		<u>(5,519)</u>	<u>(59,205)</u>
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax		(41)	465
– Exchange reserve reclassified to profit or loss upon disposal of a subsidiary, net of nil tax		<u>(7)</u>	<u>–</u>
		<u>(48)</u>	<u>465</u>
Total comprehensive loss for the year		<u><u>(5,567)</u></u>	<u><u>(58,740)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2021

(Expressed in Hong Kong dollars)

	<i>Note</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		110,585	113,367
Right-of-use assets		31,815	35,128
Goodwill		—	—
		<u>142,400</u>	<u>148,495</u>
Current assets			
Inventories		7,816	11,344
Trade and other receivables	<i>10</i>	92,162	64,097
Cash and cash equivalents		45,974	70,415
		<u>145,952</u>	<u>145,856</u>
Current liabilities			
Contract liabilities		—	100
Trade and other payables	<i>11</i>	46,614	55,935
Bank loans		81,776	69,824
Lease liabilities		3,115	3,322
		<u>131,505</u>	<u>129,181</u>
Net current assets		<u>14,447</u>	<u>16,675</u>
Total assets less current liabilities		<u>156,847</u>	<u>165,170</u>
Non-current liabilities			
Lease liabilities		9,436	12,192
NET ASSETS		<u>147,411</u>	<u>152,978</u>
CAPITAL AND RESERVES			
Share capital	<i>12(a)</i>	8,081	8,081
Reserves		139,330	144,897
TOTAL EQUITY		<u>147,411</u>	<u>152,978</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. COMPANY INFORMATION

Hing Lee (HK) Holdings Limited (the “Company”) was incorporated in the British Virgin Islands (“BVI”) on 20 April 2004 and re-domiciled in Bermuda on 30 March 2007. The registered office of the Company is located at 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 Company has its primary listing on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). The principal activity of the Company is investment holding. The principal activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture, sofa and mattresses, provision of promotional services relating to layout design, fitting and display of products and licensing of its own brands and product designs.

The consolidated financial statements are presented in Hong Kong dollars (“HK\$”), unless otherwise indicated, which is also the functional currency of the Company.

2. BASIS OF PREPARATION

The consolidated financial statements for the year ended 31 December 2021 comprise the Company and its subsidiaries (together the “Group”).

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following amendments to HKFRSs that are first effective or available for early adoption in the current accounting period of the Group:

- Amendment to HKFRS 16 “COVID-19 – Related Rent Concessions beyond 30 June 2021”
- Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 “Interest Rate Benchmark Reform – Phase 2”

None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period except for the Amendment to HKFRS 16 “COVID-19-Related Rent Concessions beyond 30 June 2021” (“2021 Amendment”) which is effective from annual period beginning on or after 1 April 2021 with earlier application is permitted.

The Group previously applied the practical expedient in HKFRS 16 “Leases” such that as lessee it was not required to assess whether rent concessions occurring as a direct consequence of the COVID-19 pandemic were lease modifications, if the eligibility conditions are met. One of these conditions requires the reduction in lease payments affect only payments originally due on or before a specified time limit. The 2021 Amendment extends this time limit from 30 June 2021 to 30 June 2022.

The Group has early adopted the 2021 Amendment in this financial year. Nonetheless, there is no impact on the opening balance of equity at 1 January 2021.

4. REVENUE

The principal activities of the Group are the design, manufacture, sale and marketing of home furniture products including mainly wood-based furniture, sofa and mattresses, provision of promotional services relating to layout design, fitting and display of products and licensing of its own brands and product designs.

Revenue within the scope of HKFRS 15 “Revenue from Contracts with Customers” comprises:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sale of goods	162,427	189,201
Provision of services	12,583	12,736
Licensing income	–	1,529
	<u>175,010</u>	<u>203,466</u>
Disaggregated by timing of revenue recognition:		
Point in time	162,427	189,201
Over time	12,583	14,265
	<u>175,010</u>	<u>203,466</u>

The Group has applied the practical expedient in paragraph 121 of HKFRS 15 to its revenue contracts such that the above information does not include information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under those revenue contracts that had an original expected duration of one year or less.

5. OTHER NET INCOME

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Bank interest income	120	292
COVID-19 related rent concessions received	–	13
Gain on early termination of leases	–	33
Government grants	630	1,314
Loss on disposal of a subsidiary	(170)	–
Loss on disposal of property, plant and equipment, net	(7)	(222)
Realised losses on derivative financial instruments, net	(110)	(61)
Write back of other payables	–	720
Others	122	200
	<u>585</u>	<u>2,289</u>

Government grants include mainly funds and subsidies received from local government authorities for the Group's development and business activities.

In 2020, the Group successfully applied for funding support of HK\$216,000 from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Government from Hong Kong Special Administrative Region. The purpose of the funding was to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group was required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the approved list of employees.

6. LOSS BEFORE TAXATION

Loss before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on bank loans	5,108	2,102
Interest on lease liabilities	833	577
	<u>5,941</u>	<u>2,679</u>

(b) **Staff costs**

	2021	2020
	HK\$'000	HK\$'000
Directors' remuneration	1,534	2,240
Salaries, wages and other benefits	17,409	15,662
Retirement scheme contributions	1,428	649
Termination benefits	<u>–</u>	<u>4,616</u>
	<u>20,371</u>	<u>23,167</u>

(c) **Other items**

	2021	2020
	HK\$'000	HK\$'000
Auditor's remuneration	750	750
Bad debts written off	–	2,829
Cost of inventories sold [#]	150,931	184,646
Depreciation of:		
– property, plant and equipment	6,007	10,908
– right-of-use assets	4,277	6,077
Expense relating to short-term leases	40	–
Foreign exchange gain, net	(5,513)	(7,623)
(Reversal of impairment loss)/impairment losses on:		
– property, plant and equipment	–	16,739
– trade receivables	(4,395)	7,638
– other deposits and receivables	(430)	–
Write-off of other deposits and receivables	<u>1,953</u>	<u>347</u>

[#] Cost of inventories sold includes HK\$14,429,000 (2020: HK\$17,039,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or in note 6(b) for each of these types of expenses.

7. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss represents:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Hong Kong Profit Tax		
– Under-provision in respect of prior years	<u>16</u>	<u>–</u>
PRC Enterprise Income Tax		
– Current year provision	–	3
– Over-provision in respect of prior years	<u>(4)</u>	<u>(38)</u>
	<u>(4)</u>	<u>(35)</u>
Income tax expense/(credit)	<u><u>12</u></u>	<u><u>(35)</u></u>

Pursuant to the income tax rules and regulations, the Group is not subject to income tax in Bermuda and the BVI.

No provision for Hong Kong Profits Tax has been made (2020: HK\$Nil) as the Company and subsidiaries incorporated or domiciled in Hong Kong have either no assessable profits or sustained tax losses for taxation purposes during the year.

The subsidiaries incorporated in The People's Republic of China (the "PRC") are subject to the PRC Enterprise Income Tax rate of 25% (2020: 25%) for the year.

(b) Reconciliation between tax expense/(credit) and accounting loss at applicable tax rate:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss before taxation	<u><u>(5,507)</u></u>	<u><u>(59,240)</u></u>
Notional tax on loss before taxation	(908)	(9,774)
Tax effect of non-deductible expenses	36	312
Tax effect of non-taxable income	(541)	(338)
Tax effect of different tax rates of subsidiaries	(900)	(3,368)
Tax effect of unrecognised temporary differences	895	3,976
Tax effect of utilisation of tax losses not recognised previously	–	(626)
Tax effect of unused tax losses not recognised	1,423	9,842
Under/(over)-provision in respect of prior years, net	12	(38)
Others	<u>(5)</u>	<u>(21)</u>
Actual tax expense/(credit)	<u><u>12</u></u>	<u><u>(35)</u></u>

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to ordinary equity shareholders of the Company of HK\$5,519,000 (2020: HK\$59,205,000) and the weighted average number of 808,096,025 (2020: 808,096,025) ordinary shares in issue during the year.

As the Company does not have any potential dilutive ordinary shares during the years ended 31 December 2021 and 2020, basic and diluted loss per share are the same.

9. SEGMENT REPORTING

(a) Operating segment information

The Group is principally engaged in furniture business, which includes the design, manufacture and sale of home furniture products, provision of promotional services relating to layout design, fitting and display of products and licensing of its own brands and product designs. All of the Group's products and services are of a similar nature and subject to similar risk and returns. Accordingly, the Group's operating activities are attributable to one 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 right-of-use assets ("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 asset, in the case of property, plant and equipment and right-of-use assets.

	2021		2020	
	Revenue from external customers <i>HK\$'000</i>	Specified non-current assets <i>HK\$'000</i>	Revenue from external customers <i>HK\$'000</i>	Specified non-current assets <i>HK\$'000</i>
Asia (excluding the PRC)	117,988	8	149,318	465
Europe	9,889	–	14,506	–
PRC	15,264	142,392	21,886	148,030
The United States	31,869	–	16,530	–
Others	–	–	1,226	–
	<u>175,010</u>	<u>142,400</u>	<u>203,466</u>	<u>148,495</u>

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

(c) **Major customers**

Revenue from the major customers that accounted for 10% or more of the Group's total revenue are set out below:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	71,870	118,564
Customer B	25,216	N/A [#]
Customer C	24,417	N/A [#]
	<u> </u>	<u> </u>

[#] The corresponding revenue did not contribute 10% or more of the total revenue for the year.

10. TRADE AND OTHER RECEIVABLES

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	42,224	37,838
Less: Loss allowance	(4,308)	(10,059)
	<u> </u>	<u> </u>
	37,916	27,779
Deposits paid for purchase of property, plant and equipment	49	46
Deposits paid to suppliers	48,626	29,148
Value added tax recoverable	3,112	2,976
Other deposits, prepayments and receivables	2,459	4,148
	<u> </u>	<u> </u>
	54,246	36,318
	<u> </u>	<u> </u>
	92,162	64,097
	<u> </u>	<u> </u>

The amount of deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK\$1,004,000 (2020: HK\$987,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

As of the end of the reporting period, the ageing analysis of trade receivables, based on the invoice date and net of loss allowance, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	19,857	27,779
3 to 6 months	11,297	–
6 to 9 months	6,762	–
	37,916	27,779

Trade receivables are normally due within 30 to 90 days (2020: 30 to 90 days) from the date of billing.

11. TRADE AND OTHER PAYABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade payables	37,404	46,412
Accrued charges	3,682	4,278
Trade deposits received	4,627	3,358
Other payables	901	1,887
	9,210	9,523
	46,614	55,935

All trade and other payables are expected to be settled within one year.

As of the end of the reporting period, the ageing analysis of trade payables, based on the invoice date, is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 3 months	29,157	38,179
3 months to 1 year	2,174	8,233
Over 1 year	6,073	–
	37,404	46,412

12. SHARE CAPITAL, DIVIDENDS AND RESERVES

(a) Share capital

	2021		2020	
	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
Authorised:				
At 31 December	<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 31 December	<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 ordinary shares rank equally with regard to the Company's residual assets.

(b) Dividends

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2021 (2020: HK\$Nil).

(c) Nature and purpose of reserves

(i) Share premium

The application of the share premium account is governed by section 40 of the Bermuda Companies Act 1981.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong which are dealt with in accordance with the accounting policies adopted by the Company.

(iii) Statutory reserve fund

Subsidiaries in the PRC are required to transfer 10% of the net profits, as determined in accordance with the PRC accounting rules and regulations, to statutory reserve fund until the reserve balance reaches 50% of the registered capital. The transfer of this fund must be made before distribution of dividends to equity holders.

The statutory reserve fund can be used to make good of previous years' losses, if any, and may be converted into capital provided that the balance of the general reserve fund after such conversion is not less than 25% of their registered capital.

(iv) *Merger reserve*

The Group's merger reserve represents the difference between the aggregate net assets of the subsidiaries acquired by the Group and the nominal amount of the Company's shares issued under the 2004 Reorganisation.

(v) *Capital reserve*

The capital reserve represents the excess of the fair value of consideration paid for acquisition of additional interest in a non-wholly owned subsidiary over the decrease in the carrying amount of the non-controlling interest.

(d) Distributability of reserves

At 31 December 2021, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$134,051,000 (2020: HK\$140,167,000), being the aggregate of the share premium and accumulated losses of the Company.

(e) Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through maintaining healthy capital ratio.

The capital structure of the Group consists of secured bank loans and lease liabilities net of net debts, which includes cash and cash equivalents, and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and accumulated losses as disclosed in the consolidated statement of changes in equity.

The directors review the capital structure on an annual basis. As a part of this review, management considers the cost of capital, the changes in economic conditions and the risk characteristics of each class of capital. The directors will balance the Group's overall capital structure through the payment of dividends and new share issues.

The Group's overall strategy remained unchanged during the year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 14.0% from about HK\$203.5 million for the year ended 31 December 2020 to HK\$175.0 million for the year ended 31 December 2021.

The decrease in the Group's turnover was a continuous result of the impact of the COVID-19 pandemic since the beginning of Year 2020, which had caused disruptions to the businesses operation of the Group, as well as our customers.

Our business, in particular the domestic market, was adversely affected. For export markets, shortage in shipping containers further deteriorated in Year 2021, which was far beyond expectation. The Group experienced delays in shipment schedules. In addition, the cautious slowdown in customers' business due to the recent downturn of the economy has led to a decrease in demand for the Group's products.

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 year under review, the professional services provided a higher return to the Group. As a result, the Group's gross profit margin was increased to 13.8% (2020: 9.3%).

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK\$8.9 million for the year ended 31 December 2021 (2020: HK\$16.2 million). The decrease in selling and distribution expenses was mainly attributable to the low level of marketing activities.

Administrative Expenses

For the year ended 31 December 2021, the Group's administrative expenses were approximately HK\$15.3 million compared to about HK\$61.5 million for the year ended 31 December 2020.

The decrease in administrative expenses was mainly attributable to the continued decrease in the costs associated with restructuring the Group's business units, and the continued cost control at all levels.

Results for the Year

Loss attributable to equity holders of the Company for the year ended 31 December 2021 was approximately HK\$5.5 million as compared to loss attributable to equity holders of the Company of approximately HK\$59.2 million for the corresponding period last year.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2021, the Group employed approximately 160 employees (31 December 2020: approximately 160).

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 retirement benefits and medical insurance schemes. Share options may also be granted to eligible employees of the Group and other eligible participants.

Apart from regular on-the-job training, the Group also engages professional parties to provide training to its staff to ensure that they can obtain updated job related knowledge and enhance their quality of work.

LIQUIDITY AND FINANCIAL RESOURCES

The Group's overall funding and treasury activities are currently managed and controlled by the senior management. There is no significant change in respect of treasury and financing policies from those of last year.

The Group maintained cash and bank balances of HK\$46.0 million as at 31 December 2021 (31 December 2020: HK\$70.4 million).

As at 31 December 2021, the Group had bank loans amounting to HK\$81.8 million (31 December 2020: HK\$69.8 million). As at the same date, the gearing ratio (total debt/total equity) was 1.0 (31 December 2020: 0.9).

As at 31 December 2021, the current ratio (current assets/current liabilities) was 1.1 (31 December 2020: 1.1) and the net current assets amounted to HK\$14.4 million (31 December 2020: HK\$16.7 million).

The ageing analysis of trade payables and the maturity profiles of bank loans are set out in the notes to the consolidated financial statements of this annual report to be published by the Company.

SEGMENT INFORMATION

Segment information is set out in note 9 to the consolidated financial statements of this annual results announcement.

ENVIRONMENTAL POLICY

The Group's commitment to protect the environment is well reflected by its continuous efforts in promoting green measures and awareness in its daily business operations. The Group encourages environmental protection and promotes awareness towards environmental protection to the employees. The Group adheres to the principle of Recycling and Reducing. It implements green office practices such as double-sided printing and copying, setting up recycling bins, promoting the use of recycled paper and reducing energy consumption by switching off idle lightings and electrical appliance.

The Group will review its environmental practices from time to time and will consider implementing further eco-friendly measures and practices in the operation of the Group's businesses to move towards adhering the 3Rs – Reduce, Recycle and Reuse and enhance environmental sustainability.

Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2021 to be published in due course.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Group's operations are mainly carried out by the Company's subsidiaries in mainland China while the Company is listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Group's operations accordingly shall comply with relevant laws and regulations in mainland China and Hong Kong.

During the year ended 31 December 2021 and up to the date of this report, to the best of knowledge of the Company, the Group has complied with all the relevant laws and regulations in mainland China and Hong Kong which have a significant impact on the business and operations of the Group, and there was no material breach of or non-compliance with the applicable laws and regulations by the Group that has a significant impact on the business and operations of the Group.

RELATIONSHIPS WITH STAKEHOLDERS

The Company recognizes that employees are its valuable assets. Thus the Group provides competitive remuneration package to attract and motivate its employees. Apart from salary payments, there are other staff benefits including mandatory provident fund, medical insurance and performance related bonus. Share options may also be granted to eligible employees of the Group. The Group regularly reviews the remuneration package of employees and makes necessary adjustments to conform to the market standard.

The Group also understands that it is important to maintain good relationship with business partners and bank enterprises to achieve its long-term goals. Accordingly, the senior management of the Group kept good communication, promptly exchanged ideas and shared business update with them when appropriate. During the Year 2021, there was no material and significant dispute between the Group and its business partners or bank enterprises.

KEY RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's businesses. The followings are the key risks and uncertainties identified by the Group. The list below is not exhaustive and there may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future. Besides, this annual report does not constitute a recommendation or an advice for anyone to invest in the securities of the Company and investors are advised to make their own judgment or consult their own investment advisors before making any investment in the securities of the Company.

Market Risks

Market risk is the risk that deteriorates the Group's profitability or affects the Group's ability to meet business objectives and it arises from the movement in market prices, like foreign exchange rates, interest rates and equity prices. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

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 currencies giving rise to this risk are primarily Hong Kong dollar, Renminbi and United States dollar. As most of the transactions are denominated and settled in the same currency, the Group's foreign currency risk is considered to be minimal by the Directors at the reporting date. 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.

Interest Rate Risk

The Group's interest-rate risk arises from bank deposits and bank loans which are at variable rates, which expose the Group to cash flow interest-rate risk, and the Group analyses its interest rate exposure on a dynamic basis and considers managing this risk in a cost-effective manner when appropriate through a variety of means.

Liquidity Risk

Liquidity risk is the potential that the Group will be unable to meet its obligations when they fall due because of an inability to obtain adequate funding or liquidate assets. In managing liquidity risk, the Group monitors cash flows and maintains an adequate level of cash and cash equivalent to ensure the ability to finance the Group's operations and reduce the effects of fluctuation in cash flows.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Responsibility for managing operational risks basically rests with every function at divisional and departmental levels. Key functions in the Group are guided by their standard operating procedures, limits of authority and reporting framework. The senior management of the Group identifies and assesses key operational exposures regularly so that appropriate risk response can be taken. However, accidents may happen even though systems and procedures were set up for their prevention, which may lead to financial loss, litigation or damage in reputation.

Investment Risk

Investment risk can be defined as the likelihood of occurrence of losses relative to the expected return on any particular investment. Key concern of investment framework will be balancing risk and return across different investments, and thus risk assessment is a core aspect of the investment decision process.

Manpower and Retention Risk

The Group may face the risk of not being able to attract and retain key personnel and talents with appropriate and required skills, experience and competence which would meet the business objectives of the Group. The Group will provide attractive remuneration package to suitable candidates and personnel based on factors such as market rates, responsibility, job complexity as well as the Group's performance. The Group has also adopted share option scheme to recognize and reward the contribution of the employees for the growth and development of the Group.

Business Risk

Performance of our Group's core business will be affected by various factors, including but not limited to economic conditions, performance of property markets in regions where its customers locate, which would not be mitigated even with careful and prudent investment strategy and strict procedure.

CHARGE OF ASSETS

As at 31 December 2021, the Group had banking facilities which were secured by (i) pledge of buildings; (ii) personal guarantee provided by Mr. Chan Kwok Kin and Mr. Huang Wei Ye, both are members of the senior management of the Group; and (iii) corporate guarantees from the Company and a subsidiary.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no significant investment, material acquisitions and disposal of subsidiaries, associates and joint ventures by the Group during the year.

CONTINGENT LIABILITIES

At 31 December 2021, the Company had contingent liabilities in respect of guarantees given for banking facilities granted to certain subsidiaries to the extent of HK\$97,847,000 (2020: HK\$95,053,000). These facilities were utilised to the extent of HK\$81,776,000 (2020: HK\$29,704,000) as at 31 December 2021.

PROSPECTS

Looking forward, we believe that the COVID-19 pandemic and commodity price fluctuations remain as 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.

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.

Save as disclosed below, the Company complied with the code provisions of the Corporate Governance Code (the “CG Code”) set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) which were applicable to Year 2021 during the financial year. The Company periodically reviews its corporate governance practices to ensure its continuous compliance. On 1 January 2022, the amendments to the CG Code (the “new CG Code”) came into effect and the requirements under the new CG Code will apply to corporate governance reports for financial years commencing on or after 1 January 2022. The Company will continue to review its corporate governance practice to ensure compliance with the new CG Code.

Code provision A.2.1

Code provision A.2.1 of the CG Code (code provision C.2.1 of the new 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 as set out in Appendix 10 to the Listing Rules (“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 year under review.

AUDIT COMMITTEE REVIEW

The audit committee of the Company (the “Audit Committee”) has three members comprising Mr. Kong Hing Ki (Chairman), Mr. Sun Jian, and Mr. Feng Jianzhong, all being independent non-executive Directors. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2021.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 December 2021 (2020: Nil).

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

During the year, the Company and its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the reporting period.

PUBLICATION OF ANNUAL RESULTS AND 2021 ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange and the Company. The annual report of the Company for the year ended 31 December 2021 will be despatched to the Shareholders and published on both websites in due course.

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

Hong Kong, 25 March 2022

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, Mr. Kong Hing Ki and Mr. Feng Jianzhong.

Website: <http://www.hingleehk.com.hk>