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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 2020

The board of directors (the "Board") of Hing Lee (HK) Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2020 with comparative figures for the corresponding year ended 31 December 2019.

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 2020
(Expressed in Hong Kong dollars)

	Note	**2020** **HK$'000**	2019 HK$'000
Revenue	*4*	**203,466**	300,142
Cost of sales		**(184,646)**	(268,715)
Gross profit		**18,820**	31,427
Gain on disposal of subsidiaries	*14*	**–**	19,369
Other net income/(loss)	*5*	**2,289**	(6,338)
Selling and distribution expenses		**(16,187)**	(23,824)
Administrative expenses		**(61,483)**	(75,706)
Impairment loss on goodwill	*10*	**–**	(48,387)
Loss from operations		**(56,561)**	(103,459)
Finance costs	*6(a)*	**(2,679)**	(2,333)
Loss before taxation	*6*	**(59,240)**	(105,792)
Income tax credit	*7*	**35**	314
Loss for the year		**(59,205)**	(105,478)
		HK cents	*HK cents*
Loss per share	*8*		
– Basic		**(7.33)**	(13.05)
– Diluted		**(7.33)**	(13.05)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2020
(Expressed in Hong Kong dollars)

	Note	**2020** *HK$'000*	2019 *HK$'000*
Loss for the year		**(59,205)**	(105,478)
Other comprehensive income/(loss) 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		**465**	(2,829)
– Exchange reserve reclassified to profit or loss upon disposal of subsidiaries, net of nil tax	*14*	**–**	(14,533)
		465	(17,362)
Total comprehensive loss for the year		**(58,740)**	(122,840)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2020
(Expressed in Hong Kong dollars)

	Note	**2020**	2019
		HK$'000	*HK$'000*
Non-current assets			
Property, plant and equipment		**113,367**	112,879
Right-of-use assets		**35,128**	24,935
Goodwill	*10*	**–**	–
		148,495	137,814
Current assets			
Inventories		**11,344**	10,739
Trade and other receivables	*11*	**64,097**	118,437
Pledged bank deposits		**–**	1,274
Cash and cash equivalents		**70,415**	59,749
		145,856	190,199
Current liabilities			
Contract liabilities		**100**	303
Trade and other payables	*12*	**55,935**	75,887
Bank loans		**69,824**	34,545
Lease liabilities		**3,322**	5,078
Current tax payable		**–**	14
		129,181	115,827
Net current assets		**16,675**	74,372
Total assets less current liabilities		**165,170**	212,186
Non-current liabilities			
Lease liabilities		**12,192**	468
NET ASSETS		**152,978**	211,718
CAPITAL AND RESERVES			
Share capital	*13(a)*	**8,081**	8,081
Reserves		**144,897**	203,637
TOTAL EQUITY		**152,978**	211,718

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 2020 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 applied in the current accounting period of the Group:

- Amendments to HKAS 1 and HKAS 8, Definition of Material
- Amendments to HKFRS 3, Definition of a Business
- Amendments to HKFRS 9, HKAS 39 and HKFRS 7, Interest Rate Benchmark Reform

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" which is effective from annual period beginning on or after 1 June 2021 with earlier application is permitted and which provides a practical expedient that allows lessees not to assess whether particular rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred. There is no impact on the opening balance of equity at 1 January 2020.

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:

	2020	2019
	HK$'000	*HK$'000*
Sale of goods	**189,201**	295,542
Provision of services	**12,736**	–
Licensing income	**1,529**	4,600
	203,466	300,142

5. OTHER NET INCOME/(LOSS)

	2020	2019
	HK$'000	*HK$'000*
Bank interest income	**292**	430
COVID-19 related rent concessions received	**13**	–
Government grants	**1,314**	1,784
Loss on disposal of property, plant and equipment, net	**(222)**	(12,679)
Realised (losses)/gains on derivative financial instruments, net	**(61)**	886
Reversal of impairment loss on trade receivables	**–**	93
Write back of other payables	**720**	2,630
Gain on early termination of leases	**33**	18
Others	**200**	500
	2,289	(6,338)

Government grants include mainly funds and subsidies 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 is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is 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

	2020	2019
	HK$'000	*HK$'000*
Interest on bank loans	**2,102**	1,995
Interest on lease liabilities	**577**	338
	2,679	2,333

(b) Staff costs

	2020	2019
	HK$'000	*HK$'000*
Directors' remuneration	**2,240**	2,240
Salaries, wages and other benefits	**15,662**	32,425
Retirement scheme contributions	**649**	2,694
Termination benefits	**4,616**	4,765
	23,167	42,124

(c) **Other items**

	2020	2019
	HK$'000	*HK$'000*
Auditor's remuneration	**750**	850
Bad debts written off	**2,829**	8,819
Cost of inventories sold[#]	**184,646**	268,715
Depreciation of:		
– property, plant and equipment	**10,908**	14,281
– right-of-use assets	**6,077**	7,533
Foreign exchange (gain)/loss, net	**(7,623)**	271
Impairment losses/(reversal of impairment loss) on:		
– trade receivables	**7,638**	(93)
– property, plant and equipment	**16,739**	28,089
– other deposits and receivables	**–**	2,722
Write-off of other deposits and receivables	**347**	3,953

[#] Cost of inventories sold includes HK$17,039,000 (2019: HK$30,611,000) 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:

	2020	2019
	HK$'000	*HK$'000*
PRC Enterprise Income Tax		
– Current year provision	**3**	81
– Prior years over-provision	**(38)**	(395)
Income tax credit	**(35)**	(314)

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 (2019: 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% (2019: 25%) for the year.

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

	2020	2019
	HK$'000	*HK$'000*
Loss before taxation	**(59,240)**	(105,792)
Notional tax on loss before taxation	**(9,774)**	(17,455)
Tax effect of non-deductible expenses	**312**	10,879
Tax effect of non-taxable income	**(338)**	(4,044)
Tax effect of different tax rates of subsidiaries	**(3,368)**	(6,946)
Tax effect of unrecognised temporary differences	**3,976**	10,212
Tax effect of utilisation of tax losses not recognised previously	**(626)**	(274)
Tax effect of unused tax losses not recognised	**9,842**	7,755
Prior years over-provision	**(38)**	(395)
Others	**(21)**	(46)
Actual tax credit	**(35)**	(314)

8. LOSS PER SHARE

The calculation of basic loss per share is based on the loss attributable to equity shareholders of the Company of HK$59,205,000 (2019: HK$105,478,000) and the weighted average number of 808,096,025 (2019: 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 2020 and 2019, 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, sale and marketing 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 and services delivered. The geographical location of the specified non-current assets is based on the physical location of the assets, in the case of property, plant and equipment and right-of-use assets.

	2020		2019	
	Revenue from external customers	**Specified non-current assets**	Revenue from external customers	Specified non-current assets
	HK$'000	***HK$'000***	*HK$'000*	*HK$'000*
Asia (excluding the PRC)	**149,318**	**465**	128,121	962
Europe	**14,506**	**–**	13,490	–
PRC	**21,886**	**148,030**	61,512	136,852
The United States	**16,530**	**–**	94,848	–
Others	**1,226**	**–**	2,171	–
	203,466	**148,495**	300,142	137,814

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:

	2020	2019
	HK$'000	*HK$'000*
Customer A	**118,564**	78,369
Customer B	**N/A#**	61,942
Customer C	**N/A#**	31,257

The corresponding revenue did not contribute 10% or more of the total revenue.

10. GOODWILL

	HK$'000
At 1 January 2019	49,468
Exchange realignment	(1,081)
Impairment	(48,387)
At 31 December 2019, 1 January 2020 and 31 December 2020	–

Impairment tests for cash-generating unit containing goodwill

Goodwill was allocated to the Group's cash-generating unit ("CGU") identified as upholstered furniture business in the PRC.

The recoverable amount of the CGU under upholstered furniture business in the PRC was determined based on value in use calculation. This calculation used cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period were then extrapolated using the estimate rates stated below.

Key assumptions used for value in use calculations:

	2019
Gross margin	9%
Growth rate	2%
Discount rate	6%

In prior year, the management determined the budgeted gross margin and growth rate based on past performance and its expectation for market development. The growth rate did not exceed the long-term average growth rate for the business in which the CGU operates. The discount rate used was pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU.

The impairment testing resulted in an impairment of HK$48,387,000 recognised in consolidated statement of profit or loss for the year ended 31 December 2019. The impairment arose in view of the deterioration in sales level and operating results of the CGU in that year and loss of a major customer.

11. TRADE AND OTHER RECEIVABLES

	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**37,838**	39,935
Less: loss allowance	**(10,059)**	(2,260)
	27,779	37,675
Deposits paid for purchase of property, plant and equipment	**46**	2,362
Deposits paid to suppliers	**29,148**	59,189
Value added tax recoverable	**2,976**	2,323
Other deposits, prepayments and receivables	**4,148**	16,888
	36,318	80,762
	64,097	118,437

The amount of deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK$987,000 (2019: HK$359,000). All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Included in the other deposits, prepayments and receivables were amounts due from independent business partners of HK$1,685,000 (2019: HK$12,179,000), which are unsecured, interest free and repayable on demand.

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:

	2020	2019
	HK$'000	*HK$'000*
Within 3 months	**27,779**	33,243
3 to 6 months	**–**	1,489
6 to 9 months	**–**	2,401
9 months to 1 year	**–**	542
	27,779	37,675

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

12. TRADE AND OTHER PAYABLES

	2020	2019
	HK$'000	*HK$'000*
Trade creditors and bills payable	**46,412**	55,125
Accrued charges	**4,278**	6,879
Trade deposits received	**3,358**	6,096
Other payables	**1,887**	7,787
	9,523	20,762
	55,935	75,887

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 creditors and bills payable, based on the invoice date, is as follows:

	2020	2019
	HK$'000	*HK$'000*
Within 3 months	**38,179**	35,731
3 months to 1 year	**8,233**	15,721
Over 1 year	**–**	3,673
	46,412	55,125

13. SHARE CAPITAL, DIVIDENDS AND RESERVES

(a) Share capital

	2020		2019	
	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	**3,000,000,000**	**30,000**	3,000,000,000	30,000
Issued and fully paid:				
At 31 December	**808,096,025**	**8,081**	808,096,025	8,081

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.

(b) Dividends

The directors do not recommend the payment of a dividend in respect of the year ended 31 December 2020 (2019: 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 2020, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK$140,167,000 (2019: HK$271,651,000), being the aggregate of the share premium and accumulated losses/retained profits 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 debt, which includes cash and cash equivalents, and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and accumulated losses/retained profits 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.

14. DISPOSAL OF SUBSIDIARIES

On 23 August 2019, the Group disposed of the entire equity interest in Glory Skill Investments Limited and its subsidiaries (together "GS Group") to an independent third party and the outstanding balance of HK$83,815,000 owed by GS Group to the Group for a total consideration of HK$84,815,000.

The assets and liabilities of GS Group at date of disposal:

	HK$'000
Property, plant and equipment	55,224
Right-of-use assets	17,986
Trade and other receivables	6,302
Cash and cash equivalents	338
Contract liabilities	(215)
Amount due to the Group	(83,815)
Net liabilities	(4,180)

Gain on disposal of subsidiaries:

	HK$'000
Cash consideration	84,815
Less: settlement of amount due to the Group	(83,815)
disposal related costs	(344)
	656
Net liabilities disposed of	4,180
	4,836
Exchange reserve in respect of GS Group reclassified from equity to profit or loss upon disposal	14,533
Gain on disposal	19,369

Net cash flow on disposal of subsidiaries:

	HK$'000
Consideration settled in cash	84,815
Disposal related costs	(344)
Cash and cash equivalents disposed of	(338)
Net cash inflow	84,133

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the year under review, the Group was affected by the outbreak of coronavirus disease ("COVID-19 Outbreak"), 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 in the first half of Year 2020. For our export market, the Sino-US trade friction posted further challenges in overseas economies and related activities, resulting in delays in product shipment schedules, cancelled projects and reduced quoted prices.

In the second half of Year 2020, the tenancy agreement of the factory for upholstered furniture expired. The factory was reallocated to Ping Shan, Shenzhen where the operation costs were lowered. The reallocation will enable our upholstered furniture line to remain competitive, thus securing our position. In addition, as a result of the COVID-19 Outbreak, 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. This reduced the need for having a big showroom. The Group hence combined all showrooms in Kengzi Town, Shenzhen to upholstered furniture factory for operation and cost effective purposes.

In the past few years, the Group has been continuously assessing its business strategy, with the aim to streamline its business and enhance overall performance and prospects. The Group has also taken several measures including (i) making use of video conferencing software to follow up with customers; (ii) cooperating with new business partners for the expansion of our product base; (iii) seeking new business opportunities by utilizing the existing resources of the Group, in particular, our strong design, promotion and brand development capabilities; and (iv) maintaining an efficient and lean cost structure with stringent control on fixed costs.

As a result of the Group's effort, the Group managed a design and promotional project by providing professional services such as layout design as well as fitting and display of products.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 32.2% from about HK$300.1 million for the year ended 31 December 2019 to HK$203.5 million for the year ended 31 December 2020.

The decrease in the Group's turnover was a result of the impact of the COVID-19 Outbreak since the beginning of Year 2020, which has caused disruptions to the businesses operation of the Group, as well as our customers. Our business, in particular the domestic market, was adversely affected in all levels. For export markets, shortage in shipping containers in the second half of Year 2020 was far beyond expectation. The Group experienced delays in shipment schedules as well as downward price pressure. 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

During the year under review, due to the COVID-19 Outbreak, the production efficiency was reduced. In addition, some orders and projects were cancelled and discount were given to clear the inventories. The Group also outsourced a large portion of its production to other manufacturers. While this strategy helped the Group to reduce its administrative and fixed costs, it leaded to a lower gross profit margin as the purchase cost from outsider suppliers increased. As a result, the Group's gross profit margin was decreased to 9.3% (2019: 10.9%).

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK$16.2 million for the year ended 31 December 2020 (2019: HK$23.8 million). The decrease in selling and distribution expenses was mainly attributable to decrease in staff costs and transportation costs.

Administrative Expenses

During the year under review, the Group had specifically written off the trade receivables of approximately HK$2,578,000 that related to Pier 1 Imports, Inc. ("Pier 1"), one of the Group's major customers for upholstered furniture products. Pier 1 and its subsidiaries have commenced voluntary chapter 11 proceedings in the U.S. Bankruptcy Court for the Eastern District of Virginia as disclosed in the announcement of the Company on 25 February 2020.

For the year ended 31 December 2020, the Group's administrative expenses were approximately HK$61.5 million compared to about HK$75.7 million for the year ended 31 December 2019.

The decrease in administrative expenses was mainly attributable to the decrease in the costs associated with restructuring the Group's business units, less headcount and hence fixed costs, as well as the decrease in the foreign exchange loss arising from conversion of the foreign currencies to Hong Kong dollars, the functional currency of the Group.

Results for the Year

Loss attributable to equity holders of the Company for the year ended 31 December 2020 was approximately HK$59.2 million as compared to loss attributable to equity holders of the Company of approximately HK$105.5 million for the corresponding period last year.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2020, the Group employed approximately 160 employees (31 December 2019: approximately 300).

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$70.4 million as at 31 December 2020 (31 December 2019: HK$59.7 million).

As at 31 December 2020, the Group had bank loans amounting to HK$69.8 million (31 December 2019: HK$34.5 million). As at the same date, the gearing ratio (total debt/total equity) was 0.9 (31 December 2019: 0.5).

As at 31 December 2020, the current ratio (current assets/current liabilities) was 1.1 (31 December 2019: 1.6) and the net current assets amounted to HK$16.7 million (31 December 2019: HK$74.4 million).

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

SEGMENT INFORMATION

Segment Information is set out in note 9 to 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 2020 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 2020 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 2020, 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 despite 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 2020, 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 by the Group during the year.

CONTINGENT LIABILITIES

At 31 December 2020, 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 (2019: HK$89,000,000). These facilities were utilised to the extent of HK$29,704,000 (2019: HK$5,520,000) as at 31 December 2020.

PROSPECTS

As the development of the COVID-19 Outbreak remains to be highly unpredictable, the extent of its impact on the economy of China and the world is uncertain.

Also, US-Sino trade war has compounded the uncertainties we face, introducing additional layers of dynamics and stochastic events. The industry in which the Group operates is directly or indirectly affected. Besides, various travel restrictions and lockdown measures remain enacted as a result of the pandemic, which impede our marketing and promotional works, resulting in a slowdown of our products development. The management is of the view that the overall tough business environment may persist for some time.

The Group has proactively responded and conducted corporate restructuring activities to rebalance our business focus. We have expanded our business into a design and promotional project by providing professional services such as layout design as well as fitting and display of products during the year. We believe entering into the design and promotional project could achieve synergy with the Group’s existing business which enables the Group to access to additional income and cash flow stream to the Group while further diversifying the Group’s overall business to confront the volatile economic condition and environment.

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 and Corporate Governance Report set out in Appendix 14 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange during the financial year. The Company periodically reviews its corporate governance practices to ensure its continuous compliance.

Code provision A.2.1

Code provision A.2.1 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 Ms. Shao Hanqing, all being independent non-executive Directors. The Audit Committee has reviewed the audited financial results of the Group for the year ended 31 December 2020.

DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

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

During the year, the Company and its subsidiaries has 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 2020 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 2020 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 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Sung Kai Hing and Mr. Cheung Kong Cheung and three independent non-executive Directors, namely Mr. Sun Jian, Ms. Shao Hanqing and Mr. Kong Hing Ki.

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