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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 2023**

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 2023 with comparative figures for the corresponding year ended 31 December 2022.

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 2023

(Expressed in Hong Kong dollars)

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	4	94,213	100,387
Cost of sales		<u>(71,808)</u>	<u>(76,090)</u>
Gross profit		22,405	24,297
Other net income	5	548	805
Selling and distribution expenses		(7,665)	(4,522)
Administrative expenses		<u>(22,354)</u>	<u>(42,093)</u>
Loss from operations		(7,066)	(21,513)
Finance costs	6(a)	<u>(4,390)</u>	<u>(5,283)</u>
Loss before taxation	6	(11,456)	(26,796)
Income tax expense	7	<u>–</u>	<u>–</u>
Loss for the year		<u>(11,456)</u>	<u>(26,796)</u>
		<i>HK cents</i>	<i>HK cents</i>
Loss per share	8		
– Basic		<u>(1.42)</u>	<u>(3.32)</u>
– Diluted		<u>(1.42)</u>	<u>(3.32)</u>

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

for the year ended 31 December 2023
(Expressed in Hong Kong dollars)

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss for the year	<u>(11,456)</u>	<u>(26,796)</u>
Other comprehensive loss for the year		
Item that may be reclassified subsequently to profit or loss:		
– Exchange differences on translation of financial statements of overseas subsidiaries, net of nil tax	<u>(102)</u>	<u>(1,884)</u>
Total comprehensive loss for the year	<u><u>(11,558)</u></u>	<u><u>(28,680)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2023

(Expressed in Hong Kong dollars)

	<i>Note</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		75,448	82,013
Right-of-use assets		22,127	26,898
Goodwill		—	—
		97,575	108,911
Current assets			
Inventories		4,099	5,385
Trade and other receivables	<i>10</i>	47,086	69,817
Cash and cash equivalents		33,510	38,050
		84,695	113,252
Current liabilities			
Trade and other payables	<i>11</i>	14,805	22,557
Bank loans		53,828	70,886
Lease liabilities		3,987	3,638
		72,620	97,081
Net current assets		12,075	16,171
Total assets less current liabilities		109,650	125,082
Non-current liabilities			
Lease liabilities		2,286	6,351
Provision for long service payments		191	—
		2,477	6,351
NET ASSETS		107,173	118,731
CAPITAL AND RESERVES			
Share capital	<i>12(a)</i>	8,081	8,081
Reserves		99,092	110,650
TOTAL EQUITY		107,173	118,731

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 2023 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 (the “Listing Rules”).

3. CHANGES IN ACCOUNTING POLICIES

The HKICPA has issued the following new and amended HKFRSs that are first effective for the current accounting period of the Group:

- HKFRS 17 “Insurance Contracts”
- Amendments to HKAS 8 “Definition of Accounting Estimates”
- Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”
- Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”
- Amendments to HKAS 12 “International Tax Reform – Pillar Two Model Rules”

Except as disclosed below, 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 amendments or interpretation that is not yet effective for the current accounting period.

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

The amendments require the Group to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure. The Group has revisited the accounting policy information it has been disclosing and considered it is consistent with the amendments.

Amendments to HKAS 12, “Deferred Tax related to Assets and Liabilities arising from a Single Transaction”

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases. For leases, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to accumulated losses or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The changes do not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.

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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of goods	83,109	88,775
Provision of services	11,104	11,612
	94,213	100,387
Disaggregated by timing of revenue recognition:		
Point in time	83,109	88,775
Over time	11,104	11,612
	94,213	100,387

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank interest income	927	171
Government grants	140	440
(Loss)/gain on disposal of property, plant and equipment, net	(705)	62
Write off of trade payable	595	–
Others	(409)	132
	548	805

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

In 2022, the Group successfully applied for funding support of HK\$96,000 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):

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
(a) Finance costs		
Interest on bank loans	3,898	4,655
Interest on lease liabilities	492	628
	<u>4,390</u>	<u>5,283</u>
(b) Staff costs		
Directors' remuneration	1,318	1,259
Salaries, wages and other benefits	13,126	14,284
Retirement scheme contributions	1,160	1,223
Expense recognised in respect of long service payments	191	–
	<u>15,795</u>	<u>16,766</u>
(c) Other items		
Auditor's remuneration	770	750
Cost of inventories sold [#]	71,808	76,090
Depreciation of:		
– property, plant and equipment	2,983	4,878
– right-of-use assets	3,983	3,720
Expense relating to short-term leases	130	435
Foreign exchange loss, net	1,544	5,294
Impairment losses/(reversal of impairment losses) on:		
– property, plant and equipment	1,956	14,933
– right-of-use assets	446	–
– trade receivables	1,954	5,504
– other deposits and receivables	1,050	(98)
Loss/(gain) on disposal of property, plant and equipment, net	705	(62)

[#] Cost of inventories sold includes HK\$11,380,000 (2022: HK\$12,285,000) 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

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 for both years 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.

No provision for the PRC Enterprise Income Tax has been made for both years as the subsidiaries incorporated in the PRC have either no assessable profits for the year or have sufficient tax losses brought forward to set off against current year's estimated assessable profit for the year.

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

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Loss before taxation	<u>(11,456)</u>	<u>(26,796)</u>
Tax on loss before taxation, calculated at the Hong Kong Profits Tax rate of 16.5% (2022: 16.5%)	(1,890)	(4,421)
Tax effect of non-deductible expenses	964	4,918
Tax effect of non-taxable income	(151)	(53)
Tax effect of different tax rates of subsidiaries	(168)	(1,156)
Tax effect of temporary differences not recognised	(310)	(235)
Tax effect of utilisation of tax losses not recognised previously	(1,613)	(991)
Tax effect of unused tax losses not recognised	3,175	1,944
Others	<u>(7)</u>	<u>(6)</u>
Actual tax expense	<u>–</u>	<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\$11,456,000 (2022: HK\$26,796,000) and the weighted average of 808,096,025 (2022: 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 2023 and 2022, 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.

For the purposes of resources allocation and performance assessment, the senior executive management of the Group, being the chief operating decision makers, review the Group's consolidated results and financial position when making decisions about allocating resources and assessing performance of the Group as a whole and hence, the Group has only one reportable segment and only entity-wide disclosures are presented.

(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.

	2023		2022	
	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)	45,352	877	49,436	1,334
Europe	3,259	–	8,793	–
PRC	11,409	96,698	12,246	107,577
The United States	34,193	–	29,912	–
	<u>94,213</u>	<u>97,575</u>	<u>100,387</u>	<u>108,911</u>

Asia mainly covers Japan, Middle East and Southeast Asia; and Europe mainly covers France and Poland.

(c) **Major customers**

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

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	10,588	19,719
Customer B	16,086	15,091
Customer C	30,159	25,895
Customer D	15,702	12,794
Customer E	11,104	11,612
	<u>111,639</u>	<u>107,911</u>

10. TRADE AND OTHER RECEIVABLES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	33,021	31,650
Less: Loss allowance	(11,464)	(9,534)
	<u>21,557</u>	<u>22,116</u>
Deposits paid for purchase of property, plant and equipment	–	46
Deposits paid to suppliers	23,435	45,625
Value added tax recoverable	1,785	883
Other deposits, prepayments and receivables	2,046	1,846
	<u>27,266</u>	<u>48,400</u>
Less: Loss allowance	(1,737)	(699)
	<u>25,529</u>	<u>47,701</u>
	<u>47,086</u>	<u>69,817</u>

The amount of deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK\$1,073,000 (2022: HK\$1,086,000). 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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	12,598	6,441
3 to 6 months	2,263	4,058
6 to 9 months	1,669	3,635
9 months to 1 year	1,707	7,982
Over 1 year	3,320	–
	21,557	22,116

Trade receivables are normally due within 30 to 90 days (2022: 30 to 90 days) from the date of billing.

11. TRADE AND OTHER PAYABLES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	9,914	10,346
Accrued charges	2,554	2,918
Trade deposits received	1,288	8,454
Other payables	1,049	839
	4,891	12,211
	14,805	22,557

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:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 3 months	4,939	5,073
3 months to 1 year	1,360	685
Over 1 year	3,615	4,588
	9,914	10,346

12. SHARE CAPITAL, DIVIDENDS AND RESERVES

(a) Share capital

	2023		2022	
	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 2023 (2022: 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 2023, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$68,143,000 (2022: HK\$68,158,000), 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 net debts, which includes secured bank loans and lease liabilities net of 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

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.

The Sino-US trade friction, interest rate increases in the global banking sector and the depreciation of major currencies against the USD continue to impact the economies, resulting in a decrease in consumer demand and hence the demand for our products. In addition, in order to save warehousing costs and keep cash on hand, customers placed their orders when their inventory level fell short, resulting in delays in product shipment schedules 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. Despite the full upliftment of anti-pandemic measures, the general operating environment remained challenging and overall productivities remained low as compared with the pre-pandemic period, and hence the demand for our professional services is reduced in the second half of Year 2023.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 6.2% from about HK\$100.4 million for the year ended 31 December 2022 to HK\$94.2 million for the year ended 31 December 2023.

Despite the full upliftment of anti-pandemic measures, the recovery of business operation is slower than expected. The depreciation of major currencies against the USD posted further challenges to our overseas customers and hence lowered the demand for our products. As a result, the business of the Group has declined.

Gross Profit

The Group's gross profit margin was 23.8% (2022: 24.2%). The decrease in gross profit margin was mainly attributable to the clearance of certain obsoleted inventories.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK\$7.7 million for the year ended 31 December 2023 (2022: HK\$4.5 million). The increase in selling and distribution expenses was mainly attributable to the higher level of marketing activities after the full upliftment of anti-pandemic measures.

Administrative Expenses

For the year ended 31 December 2023, the Group's administrative expenses were approximately HK\$22.4 million compared to about HK\$42.1 million for the year ended 31 December 2022. The decrease in administrative expenses during the year was mainly attributable to three major areas: (1) due to the decline in revenue and the underutilization of certain non-current assets, management performed impairment assessments of the Group's non-current assets by comparing the carrying values with their recoverable amounts, and accordingly, provision for impairment of HK\$2.4 million was recognised for property, plant and equipment and right-of-use asset, representing a decrease of HK\$12.5 million (2022: HK\$14.9 million for property, plant and equipment); (2) the foreign exchange loss decreased by approximately HK\$3.7 million to approximately HK\$1.6 million (2022: HK\$5.3 million); and (3) expected credit loss on trade receivables decreased by approximately HK\$3.5 million to approximately HK\$2.0 million (2022: HK\$5.5 million).

Results for the Year

Loss attributable to equity holders of the Company for the year ended 31 December 2023 was approximately HK\$11.5 million as compared to loss attributable to equity holders of the Company of approximately HK\$26.8 million for the corresponding period last year.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2023, the Group employed approximately 130 employees (31 December 2022: approximately 130).

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\$33.5 million as at 31 December 2023 (2022: HK\$38.1 million).

As at 31 December 2023, the Group had bank loans amounting to HK\$53.8 million (2022: HK\$70.9 million). As at the same date, the gearing ratio (total debt/total equity) was about 0.7 (2022: 0.9).

As at 31 December 2023, the current ratio (current assets/current liabilities) was about 1.2 (2022: 1.2) and the net current assets amounted to HK\$12.1 million (2022: HK\$16.2 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 the 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 2023 to be published on the websites of the Stock Exchange (www.hkexnews.com) and the Company (www.hingleehk.com.hk).

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 2023 and up to the date of this annual results announcement, 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 recognises 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 2023, 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 results announcement 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 equivalents 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 2023, the Group had banking facilities which were secured by (i) pledge of buildings; (ii) personal guarantees 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 2023, the Company had contingent liabilities in respect of guarantees given for banking facilities granted to a subsidiary to the extent of HK\$88,279,000 (2022: HK\$89,559,000). These facilities were utilised to the extent of HK\$53,828,000 (2022: HK\$70,886,000) as at 31 December 2023.

PROSPECTS

The economies of Mainland China and countries where the Group's customers are located are anticipated to continue on a slow post-pandemic recovery path in 2024, but the prospects remain highly uncertain and driven by the adverse impact of high market interest rate environment and the development of geopolitical factors.

Despite the foregoing challenges, the Group will continue to pursue long-term business and profitability growth to be in line with its corporate mission and goals. The Group will continue to adopt prudent capital management and liquidity risk management to preserve adequate buffer to meet the challenges ahead.

CORPORATE GOVERNANCE

The directors of the Company (the "Directors" and each a "Director") recognise 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.

For the year ended 31 December 2023 and up to the date of this annual results announcement, the Company complied with all the code provisions, where applicable, as set out in the Corporate Governance Code (the "CG Code") in Appendix C1 to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange except for the deviation mentioned below.

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.

CORPORATE CULTURE AND STRATEGY

The Company recognises the importance of corporate culture which is essential to our operations and long-term success. The Company's culture is moulded by our values. The Board has established the following values that are integrated throughout the Company's vision, mission, and policies, to guide employees' conduct and behaviors, as well as business operation and strategies:

- (i) Expertise – we supply quality home furniture products and furnish professional services;
- (ii) Dependable – we cherish our strategic partnerships with our clients and business partners, striving to deliver our high-quality products and premium services; and
- (iii) Integrity – we strive to do what is right.

The Company will conduct regular review of and adjust (if necessary) our strategies, and diligently monitor the evolving market conditions to ensure prompt and proactive measures will be taken in response to the changes and market needs, thereby fostering the Group's sustainability.

The Board has satisfied itself that the Company's established purpose, values and strategies and the Company's cultures are aligned. The Directors will continue to act with integrity, lead by example, and promote the desired culture of the Group.

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 C3 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), Ms. Leung Yuen Man, 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 2023.

DIVIDENDS

The Board does not recommend the payment of any final dividend for the year ended 31 December 2023 (2022: 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 2023 ANNUAL REPORT

The annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hingleehk.com.hk). The annual report of the Company for the year ended 31 December 2023 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, 22 March 2024

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. Kong Hing Ki, Ms. Leung Yuen Man and Mr. Feng Jianzhong.