



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 REPORT
2025



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Sung Kai Hing
(Chairman and Chief Executive Officer)
Mr. Cheung Kong Cheung

Independent non-executive Directors

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

AUDIT COMMITTEE

Mr. Kong Hing Ki *(Chairman)*
Mr. Feng Jianzhong
Ms. Leung Yuen Man

REMUNERATION COMMITTEE

Ms. Leung Yuen Man *(Chairman)*
Mr. Kong Hing Ki
Mr. Feng Jianzhong

NOMINATION COMMITTEE

Mr. Feng Jianzhong *(Chairman)*
Mr. Sung Kai Hing
Mr. Cheung Kong Cheung
Mr. Kong Hing Ki
Ms. Leung Yuen Man

COMPANY SECRETARY

Mr. Wong Kit Wai, FHKICPA, HKFCG

AUTHORISED REPRESENTATIVES

Mr. Sung Kai Hing
Mr. Wong Kit Wai

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
China Construction Bank Corporation
Shenzhen Rural Commercial Bank

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1101, 11th Floor, Delta House
3 On Yiu Street, Shatin, New Territories
Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

LEGAL ADVISERS

Sit, Fung, Kwong & Shum
Beijing Yingke Law Firm Shenzhen Office
Conyers Dill & Pearman

AUDITORS

Baker Tilly Hong Kong Limited
Certified Public Accountants

HONG KONG SHARE REGISTRAR

Union Registrars Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Appleby Global Corporate Services (Bermuda) Limited

STOCK CODE

396

COMPANY WEBSITE

www.hingleehk.com.hk

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Year ended 31 December				
	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Revenue	76,757	113,869	94,213	100,387	175,010
Cost of sales	(67,039)	(98,172)	(71,808)	(76,090)	(150,931)
Gross profit	9,718	15,697	22,405	24,297	24,079
Gain on disposal of subsidiaries	-	13,930	-	-	-
Other net income	1,306	1,325	548	805	585
Selling and distribution expenses	(3,747)	(4,682)	(7,665)	(4,522)	(8,945)
Administrative expenses	(6,329)	(8,776)	(22,354)	(42,093)	(15,285)
Profit/(loss) from operations	948	17,494	(7,066)	(21,513)	434
Finance costs	(161)	(2,170)	(4,390)	(5,283)	(5,941)
Profit/(loss) before taxation	787	15,324	(11,456)	(26,796)	(5,507)
Income tax expense	-	-	-	-	(12)
Profit/(loss) for the year	787	15,324	(11,456)	(26,796)	(5,519)

ASSETS AND LIABILITIES

	As at 31 December				
	2025 HK\$'000	2024 HK\$'000	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000
Non-current assets	4,954	3,029	97,575	108,911	142,400
Current assets	56,748	63,288	84,695	113,252	145,952
Current liabilities	15,535	14,150	72,620	97,081	131,505
Net current assets	41,213	49,138	12,075	16,171	14,447
Total assets less current liabilities	46,167	52,167	109,650	125,082	156,847
Non-current liabilities	1,092	168	2,477	6,351	9,436
Net assets	45,075	51,999	107,173	118,731	147,411
Total equity attributable to equity shareholders of the Company	45,075	51,999	107,173	118,731	147,411



Chairman's Statement

Dear Shareholders,

On behalf of the Board of directors (the "Directors") of Hing Lee (HK) Holdings Limited (the "Company") (the "Board"), I am pleased to present the annual results of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2025 ("Year 2025").

In Year 2025, the overall industry faced higher international trade barriers and uncertainties due to frequent changes in U.S. tariff policies and escalating political tensions between Japan and China. This environment adversely affected the demand for the Group's furniture products.

The Company has continued to implement effective and conservative operating policies, particularly focusing on risk control in both the collection of trade receivables and the acceptance of orders by screening out high-risk projects. As a result, accounts receivable turnover of the Group has been improved. In addition, the Group has no bank borrowings, loans, or significant capital commitments. To acknowledge the ongoing support of our shareholders, the Company declared and paid an interim dividend during the year under review, and the Board has recommended the payment of a final dividend.

I would like to take this opportunity to express our gratitude to our business partners, investors, and customers for their support. Additionally, I wish to thank our dedicated management and staff for their contributions to the Group.

Yours faithfully,

Sung Kai Hing

Chairman and Chief Executive Officer

20 March 2026

Management Discussion and Analysis

BUSINESS REVIEW

The principal business activities of the Group are the design, manufacture, sale and marketing of home furniture products, provision of general business consultancy services, provision of promotional services relating to layout design, fitting and display of products and licensing of its own brands and product designs.

During the year under review, the industry faced higher international trade barriers and uncertainties due to frequent changes in U.S. tariff policy. Additionally, the Group's overseas business encountered further challenges in the second half of the year due to rising political tensions between Japan and China, which negatively impacted the demand for the Group's furniture products in both the United States and Japan.

The Group has been engaged in continuous business transformation to streamline operations and enhance overall performance. Its focus has been on design, quality control, branding, and improving distribution channels for its wood-based furniture, along with strengthening after-sales services. Currently, the Group has outsourced its wood-based furniture production to other manufacturers to boost production efficiency and flexibility. The Group has been particularly prudent in managing risks, emphasizing the timely collection of trade receivables and careful screening in order acceptance by avoiding high-risk projects. As a result of these efforts and its asset-light business model, the Group achieved a profit in the year under review.

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 32.6% from about HK\$113.9 million for the year ended 31 December 2024 ("Year 2024") to approximately HK\$76.8 million for the year ended 31 December 2025.

During the year under review, a series of extreme trade policies and tariff measures introduced by the United States triggered significant shocks and created considerable uncertainties in the global business environment. Additionally, in the second half of 2025, political tensions between Japan and China posed further challenges, leading to a decrease in consumer demand in the industry and, consequently, a reduction in demand for our products in both the United States and Japan. As a result, the Group's business has been adversely affected.

Gross Profit

The Group's gross profit and gross profit margin decreased to approximately HK\$9.7 million and 12.7% respectively for the year ended 31 December 2025, against approximately HK\$15.7 million and 13.8% respectively for the year ended 31 December 2024. The decrease in gross profit was mainly attributable to the decrease in revenue as a result of the challenging market conditions.

Selling and Distribution Expenses

The Group's selling and distribution expenses amounted to about HK\$3.7 million for the year ended 31 December 2025 (2024: HK\$4.7 million). The decrease in selling and distribution expenses was mainly attributable to the lower level of transportation costs as compared to the year ended 31 December 2024.



Management Discussion and Analysis

Administrative Expenses

For the year ended 31 December 2025, the Group's administrative expenses were approximately HK\$6.3 million as compared to about HK\$8.8 million for the year ended 31 December 2024.

In Year 2024, the Group disposed of the entire equity interest in Success Profit International Limited and its subsidiaries (together "SP Group"). The decrease in administrative expenses was mainly attributable to the decrease in the costs associated with the SP Group, including headcount and other fixed costs.

Results for the Year

On 21 August 2024, the Group disposed of the entire equity interest in the SP Group, recording a gain on disposal of approximately HK\$13.9 million. The Group's profit attributable to equity shareholders of the Company decreased from approximately HK\$15.3 million in 2024 to approximately HK\$0.8 million for the year ended 31 December 2025. The decrease was primarily due to (i) the absence of any gain on disposal in 2025; and (ii) the decrease in sales revenue of the products of the Group.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2025, the Group employed approximately 90 employees (31 December 2024: approximately 125). The staff costs for the year ended 31 December 2025 were approximately HK\$15.3 million (2024: HK\$17.0 million).

Salaries are reviewed annually and discretionary bonuses are paid on annual basis with reference to individual performance appraisals, inflation and prevailing market conditions. Other benefits available to eligible employees include 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 approximately HK\$35.0 million as at 31 December 2025 (2024: HK\$26.9 million). As at 31 December 2025 and 2024, the Group did not have any bank loans. As at 31 December 2025, the gearing ratio (total debt/total equity) was about 0.4 (2024: 0.3). As at 31 December 2025, the current ratio (current assets/current liabilities) was about 3.7 (2024: 4.5) and the net current assets amounted to approximately HK\$41.2 million (2024: HK\$49.1 million). The ageing analysis of trade and other payables and lease liabilities are set out in the notes 16 and 17 to the consolidated financial statements of this annual report.

Management Discussion and Analysis

SEGMENT INFORMATION

Segment information is set out in note 10 to the consolidated financial statements of this annual report.

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 2025 published on the websites of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (www.hkexnews.hk) 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. The Group's operations accordingly shall comply with relevant laws and regulations in mainland China and Hong Kong.

During the year ended 31 December 2025 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 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 ended 31 December 2025, there was no material and significant dispute between the Group and its business partners or bank enterprises.



Management Discussion and Analysis

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 Risk

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 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.

Management Discussion and Analysis

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.



Management Discussion and Analysis

CHARGE OF ASSETS

As at 31 December 2025 and 2024, the Group did not have any pledged assets.

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS

There were no significant investments, material acquisitions and disposal of subsidiaries, associates and joint ventures by the Group during the year and up to the date of this report.

CONTINGENT LIABILITIES

As at 31 December 2025 and 2024, the Group did not have any significant capital commitments and contingent liabilities.

PROSPECTS

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

Looking ahead, the world economy is expected to face increasing challenges due to uncertainties arising from persistent geopolitical tensions, heightened volatility in interest rates, and potential escalations in trade conflicts, particularly among the US, Japan, and Mainland China. These factors could significantly disrupt the Group's export business. In response to these conditions, the Group will continue to adopt a prudent and conservative approach. This strategy includes selective project engagement, stringent cost management, risk mitigation measures, and robust financial oversight to ensure that operations remain sustainable and resilient.

Additionally, the Group will prioritize cultivating long-term client relationships and securing repeat business, as these will provide more predictable cash flows and reduce exposure to market volatility. Overall, the Group remains committed to maintaining financial stability, operational discipline, and long-term resilience in a competitive and evolving market. By carefully balancing risk and opportunity, the Group is well-positioned to navigate the challenges of the furniture industry and sustain its operations while fostering a steady, measured growth over time.

Corporate Governance Report

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 2025 and up to the date of this annual report, 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 on the Stock Exchange (the “Listing Rules”) 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.



Corporate Governance Report

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.

BOARD OF DIRECTORS

Composition of the Board

The Board members of the Company currently are:

Executive Directors:

Mr. Sung Kai Hing (*Chairman and Chief Executive Officer*)

Mr. Cheung Kong Cheung

Independent non-executive Directors:

Mr. Kong Hing Ki

Mr. Feng Jianzhong

Ms. Leung Yuen Man

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 26 to 28 in this annual report.

The composition of the Board is well balanced. Each of the Directors has relevant expertise and extensive corporate and strategic planning experiences that may contribute to the business of the Group. Upon reviewing (i) the directorships and major commitments of each Director; and (ii) the attendance rate of each Director at the meetings of the Board and its committees, the Board is satisfied that all Directors have spent sufficient time in performing their responsibilities during 2025.

The Company has complied with the requirements under Rules 3.10(1), 3.10(2) and 3.10A of the Listing Rules during the year under review. All independent non-executive Directors also meet the guidelines for assessment of their independence as set out in Rule 3.13 of the Listing Rules.

Functions of the Board

The Board supervises the management of the business and affairs of the Company. The Board's primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders.

The Group has adopted internal guidelines in setting forth matters that require the Board's approval. Apart from its statutory responsibilities, the Board approves the Group's strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group's financial performance, identifies principal risks of the Group's business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

The Board is also responsible for performing the functions set out in code provision A.2.1 of the CG Code. The Board will meet to develop, review and monitor the Company's corporate governance policies and practices, to review and monitor training and continuous professional development of Directors and senior management, to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements, to develop, review and monitor the code of conduct and compliance manual applicable to employees and Directors and to review the Company's compliance with the CG Code and the disclosure in the corporate governance report.

During the year of 2025, in relation to the corporate governance functions, the Board has reviewed the Company's compliance with the CG Code and the regulatory and statutory requirements, and the disclosure in the corporate governance report.

There is no relationship (including financial, business, family or other material/relevant relationship) between any members of the Board.

DIVERSITY OF THE BOARD AND WORKFORCE

Pursuant to the CG Code, the Board has adopted a board diversity policy effective on 16 May 2014. The Company seeks to achieve board diversity through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board.

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

As at the date of this report, the Board comprises 5 Directors. Among which, one of them is a woman and three of them are independent non-executive Directors. The Directors are of diverse educational background and possess a wide spectrum of professional qualifications and business experience.

Corporate Governance Report

The Board places emphasis on diversity (including gender diversity) across all levels of the Group. The employee gender ratio between male and female of the Group as at 31 December 2025 is 73:27. The Group when hiring employees considers a number of factors, including but not limited to gender, age, cultural and education background, qualification, ethnicity, professional experience, skills, knowledge and length of service, and the Group will make sure achieving gender diversity across the workforce.

Having considered the overall Board composition and the business needs of the Group, the Company is of the view that gender diversity has been achieved in respect of the Board. The Board Diversity policy will be reviewed on an annual basis to ensure it remains relevant to the Company's needs and reflects both regulatory requirements and good corporate governance practices.

BOARD MEETINGS AND PROCEDURES

The Board met four times during the year ended 31 December 2025. The attendance record of each Director at these regular Board meetings is set out in the following table:

Directors	Board Meetings	
	Held	Attended
Mr. Sung Kai Hing	4	4
Mr. Cheung Kong Cheung	4	4
Mr. Kong Hing Ki	4	4
Ms. Leung Yuen Man	4	4
Mr. Feng Jianzhong	4	4

Board members were provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision C.5.3 of the CG Code, at least 14 days' notice have been given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings were sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors were free to contribute and share their views at meetings and major decisions would only be taken after deliberation at Board meetings. Directors who were considered having conflict of interests or material interests in the proposed transactions or issues to be discussed would not be counted in the quorum of meeting and would abstain from voting on the relevant resolution. Sufficient resources are provided including those for seeking independent professional advice to enable Directors to discharge their duties and responsibilities. Full minutes were prepared after the meetings and the draft minutes were sent to all Directors for their comment, the final version of which were endorsed in the subsequent Board meeting.

All independent non-executive Directors have been appointed for a fixed term as disclosed in the sub-section "Directors" in the section headed "Directors' Report" in this annual report. Every Director is subject to re-election on retirement by rotation in accordance with the bye-laws of the Company.

The Company has received from each of its independent non-executive Directors an annual confirmation of his/her independence and it still considers the independent non-executive Directors to be independent.

DIRECTORS' CONTINUOUS TRAINING AND DEVELOPMENT

Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. The Directors are committed to complying with code provision C.1.4 of the CG Code on requirements of Directors' training. All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2025 to the Company.

According to the records provided by the Directors, the training received by each of the Directors during the financial year ended 31 December 2025 is summarized as follows:

Directors	Type of continuous professional development training
<i>Executive Directors</i>	
Mr. Sung Kai Hing	A,B
Mr. Cheung Kong Cheung	A,B
<i>Independent non-executive Directors</i>	
Mr. Kong Hing Ki	A,B
Mr. Feng Jianzhong	A,B
Ms. Leung Yuen Man	A,B

Notes:

A: Attending seminar(s) or training session(s)

B: Reading newspapers, journals and updates relating to the Company's business or directors' duties and responsibilities, the latest development of the Listing Rules and other applicable regulatory requirements etc.

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, with written terms of reference to assist them in the efficient implementation of their functions. Specific responsibilities have been delegated to the above committees.

AUDIT COMMITTEE

The Company has set up an Audit Committee with written terms of reference which are in compliance with the code provisions of the CG Code. The primary duties of the Audit Committee are to review and supervise the financial reporting process and internal control system of the Group. The Audit Committee consists of all independent non-executive Directors, namely, Mr. Kong Hing Ki (Chairman), Mr. Feng Jianzhong and Ms. Leung Yuen Man.

Corporate Governance Report

During the year under review, the Audit Committee had held two meetings. Attendance of the members is set out below:

Directors	Meetings of the Audit Committee	
	Held	Attended
Mr. Kong Hing Ki (<i>Chairman</i>)	2	2
Mr. Feng Jianzhong	2	2
Ms. Leung Yuen Man	2	2

The Audit Committee has reviewed the accounting policies and practices adopted by the Group and the annual and interim results of the Group as well as assessed the effectiveness of the Group's internal control and risk management system. The Audit Committee reported that there was no material uncertainty that casts doubt on the Company's going concern ability.

REMUNERATION COMMITTEE

The Company has set up a Remuneration Committee with written terms of reference which are in compliance with the code provisions of the CG Code. The Remuneration Committee shall make recommendations to the Board on, among other matters, the Company's policy and structure for the remuneration of all Directors and the senior management of the Group and are delegated by the Board the responsibility to determine on behalf of the Board the remuneration for Directors and senior management of the Group. The Remuneration Committee is also responsible for assessing performance of executive Directors, approving the terms of executive Directors' service contracts, and reviewing and/or approving matters relating to share schemes in accordance with Chapter 17 of the Listing Rules. The Remuneration Committee consists of all independent non-executive Directors, namely, Ms. Leung Yuen Man (Chairman), Mr. Kong Hing Ki and Mr. Feng Jianzhong.

According to the written terms of reference of the Remuneration Committee which can be viewed on the website of the Company and the website of the Stock Exchange, the Remuneration Committee has adopted the model to determine, with delegated responsibility, the remuneration packages of individual executive Director(s) and senior management.

The remuneration of the Directors was determined with reference to their respective experience, responsibilities with the Group and general market conditions. Any discretionary bonus is linked to the performance of the Group and of the individual Director.

Corporate Governance Report

One meeting was held during the year ended 31 December 2025 to review the remuneration and incentive package of the Directors and the senior management. Attendance of the members is set out below:

Directors	Meetings of the Remuneration Committee	
	Held	Attended
Ms. Leung Yuen Man (<i>Chairman</i>)	1	1
Mr. Kong Hing Ki	1	1
Mr. Feng Jianzhong	1	1

Details of the remuneration of each Director for 2025 are set out in the note 7 to the consolidated financial statements in this annual report.

The biographies of members of the senior management team at the date of this annual report are disclosed in the section headed "Biographical Details of Directors and Senior Management" in this annual report.

Remuneration by Band

The remuneration paid or payable to the Directors and senior management during the year fell within the following bands:

	2025		2024	
	Number of Directors	Number of senior management	Number of Directors	Number of senior management
HK\$Nil to HK\$1,000,000	4	4	5	5
HK\$1,000,001 – HK\$2,000,000	1	1	–	–
HK\$2,000,001 – HK\$3,000,000	–	–	–	–
HK\$3,000,001 – HK\$4,000,000	–	–	–	–



Corporate Governance Report

NOMINATION COMMITTEE

The Company has set up a Nomination Committee with written terms of reference which are in compliance with the code provisions of the CG Code. The Nomination Committee shall make recommendations to the Board on appointment of Directors and succession planning for Directors. The Nomination Committee consists of all Board members, namely, Mr. Feng Jianzhong (Chairman), Mr. Sung Kai Hing, Mr. Cheung Kong Cheung, Ms. Leung Yuen Man and Mr. Kong Hing Ki.

The main duties of the Committee are (i) to review and monitor the structure, size and composition (including the skills, knowledge and experience) of the Board to complement the Company's corporate strategy; (ii) to identify and nominate qualified individuals for appointment as additional Directors or to fill Board vacancies as and when they arise; (iii) to make recommendations to the Board on matters relating to the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive Officer; (iv) to assess the independence of independent non-executive Directors; and (v) to report back to the Board on decisions or recommendations made, unless there are legal or regulatory restrictions to do so.

The Committee discharges its responsibilities by reference to the terms of reference which set out their roles, responsibilities and duties. The terms of reference were duly authorized by the Board.

In Year 2025, the Committee had reviewed and discussed the following issues at its meeting:

1. to review the composition and structure of the Board;
2. to review the scope of responsibilities of the Directors; and
3. to review and confirm the independence of all the independent non-executive Directors.

In carrying out the responsibility for identifying suitably qualified candidates to become members of the Board, the Nomination Committee will give adequate consideration to the board diversity policy of the Company as summarized at page 13.

Corporate Governance Report

The Board has adopted a nomination policy for the Nomination Committee, which sets out the criteria and procedures in identifying and selecting candidates for directorship and making recommendations to the Board on appointment and re-appointment of Director. In the case of identifying candidate(s) to be appointed as Director, the Nomination Committee shall hold a meeting to consider the candidate(s) identified or selected pursuant to the nomination criteria and make recommendations to the Board if appropriate. In the case of re-appointment of existing Director, the Nomination Committee shall review the overall contribution and services of the retiring Director, his/her participation and performance within the Board in making recommendations to the Board for its consideration and recommendation. The factors considered in assessing the suitability of a proposed candidate for appointment as Director or re-appointment of existing Director are as follows:

- Contribution to the Board with due regard to the board diversity policy;
- The perspectives, skills and experience that the candidate can bring to the Board;
- Reputation for integrity;
- Willingness to devote adequate time to discharge duties as a Board member; and
- Satisfaction of independence requirements of the Listing Rules in the case of a candidate for independent non-executive Directors.

One meeting was held during the year ended 31 December 2025. Attendance of the members is set out below:

Directors	Meetings of the Nomination Committee	
	Held	Attended
Mr. Feng Jianzhong (<i>Chairman</i>)	1	1
Mr. Sung Kai Hing	1	1
Mr. Cheung Kong Cheung	1	1
Mr. Kong Hing Ki	1	1
Ms. Leung Yuen Man	1	1

ACCOUNTABILITY AND AUDIT

Directors' Responsibility for the Accounts

The Directors are responsible for the preparation of the consolidated financial statements which give a true and fair view of the state of affairs of the Company and its subsidiaries, in accordance with HKFRS Accounting Standards.

The statement by the auditor of the Group about its responsibilities for the consolidated financial statements is set out in the report of the independent auditor's report contained in this annual report. There are no material uncertainties relating to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern.



Corporate Governance Report

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged Baker Tilly Hong Kong Limited ("Baker Tilly") as its external auditor for year ended 31 December 2025. For the year ended 31 December 2025, remuneration payable to the Company's auditor, Baker Tilly, for the provision of audit services was HK\$650,000. During the year, there was no remuneration payable to Baker Tilly for the provision of non-audit related services.

INTERNAL CONTROLS AND RISK MANAGEMENT

The compliance and internal audit department, which is independent to the Company's daily operations and accounting functions, is responsible for establishing the Group's internal control framework, covering all material controls including financial, operational and compliance controls.

The compliance and internal audit department also formulates the internal audit plan and procedures, conducts periodic independent reviews on the operations of individual divisions to identify any irregularities and risks, develops action plans and recommendations to address the identified risks, and reports to the management on any key findings and progress of the internal audit process.

The Audit Committee which comprises all the independent non-executive Directors has the duties to, among other things, review the internal control systems and procedures for compliance with the relevant accounting, financial and Listing Rules requirements.

In addition, the executive Directors have attended external continuous training sessions relating to corporate governance to further enhance their knowledge on various on-going obligations and duties of a listed issuer and its directors under the Listing Rules and the Hong Kong Code on Takeovers and Mergers.

The external auditor, in the course of their audit, obtained an understanding of internal controls relevant to the Group's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. Any significant deficiencies noted during the course of the audit in such internal controls relevant to audit of the Group's consolidated financial statements will be reported to the Audit Committee at least once a year. After due and careful inquiries, the Audit Committee and the Board considered the policies and procedures of internal control covering all material controls including financial, operational and compliance controls and risk management system are effective and adequate and will conduct ongoing review on the effectiveness of the system. The Audit Committee also considered, after due and careful inquiries, that the Company has complied with the internal control system and the relevant accounting, financial and Listing Rules requirements.

The risk management and internal control systems of the Group are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Corporate Governance Report

The Group complies with requirements of the Securities and Futures Ordinance (“SFO”) and the Listing Rules. The Group discloses inside information to the public as soon as reasonably practicable unless the information falls within any of the safe harbours as provided in the SFO. Before the information is fully disclosed to the public, the Group ensures the information is kept strictly confidential. If the Group believes that the necessary degree of confidentiality cannot be maintained or that confidentiality may have been breached, the Group would immediately disclose the information to the public. The Group is committed to ensuring that information contained in announcements or circulars is not false or misleading as to a material fact, or false or misleading through the omission of a material fact, and presenting information in a clear and balanced way, which requires equal disclosure of both positive and negative facts.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as the chairmen of the Audit Committee, Nomination Committee and Remuneration Committee, or in their absence, other members of the respective committees, are available to answer questions at the shareholders’ meetings.

The Company held one general meeting, being the annual general meeting, in 2025. The attendance record of the Directors at such meeting is set out below:

Directors	Attendance
<i>Executive Directors</i>	
Mr. Sung Kai Hing (<i>Chairman and Chief Executive Officer</i>)	1
Mr. Cheung Kong Cheung	1
<i>Independent non-executive Directors</i>	
Mr. Kong Hing Ki	1
Ms. Leung Yuen Man	1
Mr. Feng Jianzhong	1

In order to keep shareholders well informed of the business activities and direction of the Group, information about the Group has also been provided to the shareholders through financial reports and announcements. The Company has established its own corporate website www.hingleehk.com.hk to facilitate effective communication with its shareholders and the public.

The Board reviewed the Company's shareholders and investor engagement and communication activities conducted in 2025 and was satisfied with the implementation and effectiveness of the shareholders communication policy. The Company will continue to enhance communications and relationships with its shareholders and investors.



Corporate Governance Report

Shareholders, investors and interested parties can make enquiries to the Company through the following means:

By e-mail:	kevinwong@hingleeek.com.hk
Telephone number:	(852) 2151-9600
By post:	Unit 1101, 11/F, Delta House 3 On Yiu Street Shatin, N.T. Hong Kong
Attention:	Public Relationship

SHAREHOLDERS' RIGHTS

(a) Right to convene special general meeting

Pursuant to the bye-laws of the Company, members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business or resolution specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition.

The written requisition must state the purposes of the meeting, signed by the requisitionist(s) and deposited at the registered office of the Company and at the Company's head office and principal place of business in Hong Kong at Unit 1101, 11th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong, and such request may consist of several documents in like form, each signed by one or more of the requisitionist(s).

The request will be verified with the Company's branch share registrar in Hong Kong and upon the confirmation of the branch share registrar that the request is in order, the company secretary of the Company will ask the Board to convene a special general meeting by serving sufficient notice in accordance with all relevant statutory and regulatory requirements to all registered members. On the contrary, if the request is verified as not in order, the requisitionist(s) will be advised of this outcome and accordingly, a special general meeting will not be convened as requested.

If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionists, or any of them representing more than one half of the total voting rights of all of them, may themselves do so in accordance with the provisions of section 74(3) of the Companies Act 1981 of Bermuda.

(b) Right to put forward proposals at general meetings

Pursuant to the Companies Act 1981 of Bermuda, either any number of the registered shareholders holding not less than one-twentieth (5%) of the paid-up capital of the Company carrying the right of voting at general meetings of the Company ("Requisitionists"), or not less than 100 of such registered shareholders, can request the Company in writing to (a) give to shareholders entitled to receive notice of the next general meeting notice of any resolution which may properly be moved and is intended to be moved at that meeting; and (b) circulate to shareholders entitled to have notice of any general meeting any statement of not more than 1,000 words with respect to the matter referred to in any proposed resolution or the business to be dealt with at that meeting. The requisition signed by all the Requisitionists must be deposited at the registered office of the Company and the Company's head office and principal place of business in Hong Kong with a sum reasonably sufficient to meet the Company's relevant expenses and not less than six weeks before the meeting in case of a requisition requiring notice of a resolution or not less than one week before the meeting in the case of any other requisition. Provided that if, after a copy of the requisition notice of a resolution has been deposited at the registered office of the Company, an annual general meeting is called for a date six weeks or less after the requisition has been deposited, the requisition though not deposited within the time required shall be deemed to have been properly deposited for the purposes thereof.

As regard the procedures for proposing a person for election as a Director, please refer to the procedures made available on the website of the Company at www.hingleehk.com.hk.

To safeguard shareholders' interests and rights, separate resolutions will be proposed at shareholders' meetings on each substantially separate issue, including the election of individual directors.

All resolutions put forward at a shareholders' meeting will be taken by poll pursuant to the Listing Rules save that the chairman of the shareholders' meeting may in good faith allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. The chairman of the shareholders' meeting will explain detailed procedures for conducting a poll answer any questions from shareholder regarding voting by way of poll. The poll results will be posted on the websites of the Stock Exchange and the Company after the shareholders' meeting.

(c) Procedure for Shareholders to send enquiries

Shareholders may at any time raise enquiries to the Board. The enquiries must be in writing with contact information of the Shareholder(s) and deposited at Unit 1101, 11/F, Delta House, 3 On Yiu Street, Shatin, N.T. Hong Kong for the attention of the company secretary of the Company.

The Board reviewed the Group's shareholders and investor engagement and communication activities conducted in 2025 and was satisfied with the implementation and effectiveness of the shareholders communication policy.



Corporate Governance Report

WHISTLEBLOWING POLICY

The Company has formulated a Whistleblowing Policy allowing the employees and the relevant third parties who deal with the Group (e.g. customers, suppliers, creditors and debtors) to report on any suspected conduct compromising the Company's interest.

All reported matters will be investigated independently. All information received from a whistleblower and its identity will be kept confidential.

The Board and the Audit Committee will regularly review the Whistleblowing Policy and mechanism to improve its effectiveness.

ANTI-CORRUPTION POLICY

The Company adopted an Anti-Corruption Policy which promotes and supports anti-corruption laws and regulations. It provides guidelines and the minimum standards of conducts, all applicable laws and regulations in relation to the anti-corruption and anti-bribery. The Group does not tolerate any forms of corruption, fraud and all other behaviors that severely damage the business integrity and reputation of the Group.

The Group has incorporated a section in the Employee Handbook regarding the procedures for employees to report any suspected fraudulent activities. Employees may report in writing to their department head regarding the suspected misconduct. Reports and complaints received will be handled in a prompt and fair manner. The Group intends to protect the whistle-blower from common concerns such as confidentiality and potential retaliation or discrimination.

The Board and the Audit Committee will regularly review the Anti-Corruption Policy and mechanism to ensure their effectiveness.

COMPANY SECRETARY

Mr. Wong Kit Wai is an employee of the Company and was appointed as the company secretary of the Company in May 2009. The biographical details of Mr. Wong are set out in the section headed "Biographical Details of Directors and Senior Management".

According to Rule 3.29 of the Listing Rules, Mr. Wong has taken no less than 15 hours of relevant professional training during the financial year ended 31 December 2025.

Corporate Governance Report

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's constitutional documents in the year ended 31 December 2025.

PUBLICATION OF AUDITED FINANCIAL RESULTS

The Company's financial results announcement for the financial year ended 31 December 2025 and this annual report are published on the website of the Stock Exchange at www.hkexnews.hk and on the Company's website at www.hingleehk.com.hk.

Biographical Details of Directors and Senior Management

DIRECTORS AND SENIOR MANAGEMENT

Executive Director

Mr. Sung Kai Hing (宋啟慶先生), aged 69, is an Executive Director, the Chairman and the Chief Executive Officer of the Company and one of the founders of the Group and he has over 20 years of experience in the furniture industry. Mr. Sung was appointed as a Director on 20 April 2004. He is primarily responsible for the overall strategic planning and business development of the Group as well as overseeing the daily operations of the Group. Besides, he is also a director of certain subsidiaries of the Company and a member of the Nomination Committee. Mr. Sung is the sole director of King Right Holdings Limited, which has an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as disclosed on page 35 of this annual report.

Mr. Sung has been appointed as a part-time instructor with specialisation in business operation, strategic planning and supply chain management at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as 中南林學院 (Central South Forestry University)) since June 2004 and November 2004 respectively.

Mr. Cheung Kong Cheung (張港璋先生), aged 64, is an Executive Director and one of the founders of the Group and he has over 20 years of experience in the furniture industry. Mr. Cheung was appointed as a Director on 20 April 2004. He is responsible for the administration and human resources management, as well as upholstered furniture business of the Group. Besides, he is also a director of certain subsidiaries of the Company and a member of the Nomination Committee. He has been appointed as a part-time instructor with specialisation in international trade and trading of home furniture at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as 中南林學院 (Central South Forestry University)) since June 2004 and November 2004 respectively. Mr. Cheung is the sole director of United Sino Limited, which has an interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as disclosed on page 35 of this annual report.

Independent Non-executive Director

Mr. Kong Hing Ki (江興琪先生), aged 55, was appointed as an Independent Non-executive Director on 29 May 2009. He is also the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nomination Committee. He has over 20 years of experience in accounting, auditing and finance, gained from international accountancy and commercial firms. He was an independent non-executive director of RENHENG Enterprise Holdings Limited (stock code: 3628) from November 2011 to July 2023, a company whose shares are listed on the Main Board of the Stock Exchange. Mr. Kong holds a bachelor's degree of commerce from Australian National University and a master of business administration degree from Deakin University. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia.

Biographical Details of Directors and Senior Management

Mr. Feng Jianzhong (馮建中先生), aged 51, was appointed as an Independent Non-executive Director on 10 February 2022. He is also the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. Mr. Feng has accumulated more than twenty (20) years of experience in accounting, compliance and project development. Since 2004, Mr. Feng has been the finance manager and project manager of Vitar Insulation Manufacturers Limited, a company which engages in manufacturing and trading of insulated sleeving, tubes, wires and mica sheets.

Mr. Feng has been working as an assistant to chief auditor in Shenzhen Xingyue Accounting Firm from February 1996 to May 2004. Mr. Feng is a PRC accounting professional and obtained a Certificate of Accounting Professional issued by the Ministry of Finance of the PRC in May 2004. Mr. Feng completed a course on international accounting from Shenzhen University in August 1995.

Ms. Leung Yuen Man (梁婉雯女士), aged 54, was appointed as an Independent Non-Executive Director on 1 April 2022. She is also the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee. She has more than 25 years of experience in consultancy in Australian study and migration. She graduated from the University of New South Wales, Australia with a degree of Bachelor of Arts (Asian Studies) majoring in Economics in 1996. Ms. Leung has been appointed as a Justice of the Peace in and for the State of New South Wales since July 2005. Since 1999, Ms. Leung has served as a director (sole proprietor) of EduCare International Student Services Centre, a consultancy firm founded by Ms. Leung with operations in both Hong Kong and Australia and engages in Australian study and migration related services.

SENIOR MANAGEMENT

Mr. Huang Wei Ye (黃偉業先生), aged 71, is one of the founders of the Group. He joined the Group in 1995 and is the head of the Group's design and development department, as well as the production department, and is responsible for overseeing the design, development and manufacture of the Group's furniture products. He is also a director of certain subsidiaries of the Company. Mr. Huang has over 25 years of experience in the furniture industry. Mr. Huang has been appointed as a part-time instructor with specialisation in product design, production strategies and industry trend analysis at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as 中南林學院 (Central South Forestry University)) since 2003. He obtained a master of business administration degree from 北京大學 (Peking University) in July 2007.

Mr. Chan Kwok Kin (陳國堅先生), aged 68, is one of the founders of the Group. Being the head of the sales and marketing department, as well as the procurement department of the Group, he is responsible for formulating the Group's sales and marketing strategies and procurement policies and overseeing the Group's sales and marketing activities. He is also a director of certain subsidiaries of the Company. Mr. Chan has over 20 years of experience in the furniture industry. He was appointed as a part-time instructor with specialisation in sales and marketing strategies and brand development at 南京林業大學 (Nanjing Forestry University) and 中南林業科技大學 (Central South University of Forestry and Technology) (formerly known as 中南林學院 (Central South Forestry University)) since 2004.



Biographical Details of Directors and Senior Management

Mr. Pu Cai Jun (蒲采君先生), aged 63, is the financial controller of the PRC operation. He is responsible for all financial and accounting matters in respect of the PRC subsidiaries of the Group. Mr. Pu joined the Group in 2002 and has over 20 years of experience in financial controlling. He obtained a bachelor's degree in accounting from 湖南財經學院 (Hunan Finance and Economics Institute) in July 1991.

Mr. Tse Kin Hung (謝建雄先生), aged 53, is the financial controller of the Group. He is responsible for the financial and accounting matters of the Group. He is a fellow member of the Association of Chartered Certified Accountants and a practising certificate holder of the Hong Kong Institute of Certified Public Accountants. Mr. Tse has over 20 years of experience in finance, auditing and accounting. Prior to joining the Group in 2008, Mr. Tse worked for Moores Rowland, Pacific CMA, Inc. and Kaisa Group Holdings Ltd (stock code 1638), a company whose shares are listed on the Main Board of the Stock Exchange. In July 2015, Mr. Tse joined a public accountants firm as a director and worked as a consultant of the Group. In 2020, Mr. Tse took up the capacity as financial controller of the Group again. Mr. Tse graduated from Hong Kong Polytechnic University with a bachelor's degree in business studies in 1996.

CHIEF FINANCIAL OFFICER AND COMPANY SECRETARY

Mr. Wong Kit Wai (黃杰偉先生), aged 56, is the chief financial officer and the company secretary of the Group. He is responsible for supervising the Group's financial management and overseeing the company secretarial and compliance affairs of the Group. Mr. Wong joined the Group in January 2007 and has over 20 years of experience in accounting and finance. He obtained a master of business administration degree from Deakin University, Australia and a bachelor of commerce degree from The University of New South Wales. He is a fellow member of Hong Kong Institute of Certified Public Accountants and a fellow member of CPA Australia. Besides, Mr. Wong is a fellow member of The Hong Kong Chartered Governance Institute and a fellow member of The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators), the United Kingdom. Mr. Wong has been serving as an Independent Non-Executive Director of Tailam Tech Construction Holdings Limited (stock code: 6193), a company whose shares are listed on the Main Board of the Stock Exchange since October 2025.

The Board has pleasure in submitting their annual report and the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2025.

GENERAL INFORMATION

The Company was incorporated in the British Virgin Islands ("BVI") on 20 April 2004 and was re-domiciled and continued in Bermuda with limited liability on 30 March 2007. The registered office address is Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

PRINCIPAL PLACE OF BUSINESS

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.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal business activities of the Group are the design, manufacture, sale and marketing of home furniture products, provision of general business consultancy services, provision of promotional services relating to layout design, fitting and display of products and licensing of its own brands and product designs. Further discussion and analysis of these activities as required by Schedule 5 to the Hong Kong Companies Ordinance, including a discussion of the principal risks and uncertainties facing the Group, indication of likely future developments in the Group's business, the Group's environmental policy, compliance with relevant laws and regulations and relationship with stakeholders can be found in the Management Discussion and Analysis set out on pages 5 to 10 of this annual report. This discussion forms part of this directors' report.

RESULTS

The results of the Group for the year ended 31 December 2025 are set out in the consolidated statement of profit or loss on page 44 of this annual report.

DIVIDEND AND DIVIDEND POLICY

The Company adopted a dividend policy, according to which the Board shall take into account, inter alia, the following factors when deciding whether to propose a dividend and if so, determining the dividend amount: (i) operating and financial results; (ii) cash flow situation; (iii) business conditions and strategies; (iv) future operations and earnings; (v) taxation consideration; (vi) interim dividend paid, if any; (vii) capital requirement and expenditure plans; (viii) interests of shareholders; (ix) statutory and regulatory restrictions; (x) any restrictions on payment of dividends; and (xi) any other factors that the Board may consider relevant. It is also subject to the approval of the shareholders, the Companies Ordinance (where applicable), the bye-laws of the Company as well as any applicable laws and regulations. The Company does not have any pre-determined payout ratio.



Directors' Report

DIVIDENDS

On 9 September 2025, an interim dividend of HK1 cent per share was paid to shareholders of the Company whose names appear on the register of members of the Company on 2 September 2025 (2024: Nil).

The Board has recommended a final dividend of HK1.5 cents per share for the year ended 31 December 2025 (2024: Nil) payable on or around Friday, 22 May 2026 to the shareholders whose names appear on the register of members of the Company on Thursday, 14 May 2026, subject to approval by the shareholders at the 2026 annual general meeting of the Company.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company ("AGM"):

The AGM is scheduled to be held on Wednesday, 6 May 2026. For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Thursday, 30 April 2026 to Wednesday, 6 May 2026, both dates inclusive, during which period no transfer of shares of the Company will be effected. The record date will be Wednesday, 6 May 2026 and in order to be eligible to attend and vote at the AGM, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Wednesday, 29 April 2026.

For determining the entitlement to the final dividend:

For determining the entitlement to the final dividend, the register of members of the Company will be closed from Wednesday, 13 May 2026 to Thursday, 14 May 2026, both dates inclusive, during which period no transfer of shares of the Company will be effected. The record date will be Thursday, 14 May 2026 and in order to be eligible to the entitlement to the final dividend, all transfers of ordinary shares, duly accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited at Suites 3301-04, 33/F., Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:00 p.m. on Tuesday, 12 May 2026.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year ended 31 December 2025 are set out in note 11 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the Company's paid up capital for the year ended 31 December 2025 are set out in note 21 to the consolidated financial statements in this annual report.

SHARE OPTION SCHEME

The Company adopted a share option scheme by the written resolutions of the shareholders on 29 May 2009, which expired on 28 May 2019. The Company adopted a new share option scheme (the "Share Option Scheme") at its annual general meeting on 17 May 2019. The purpose of the Share Option Scheme is to enable the Company to grant options to full-time or part-time employees, directors, supplier, service provider and business partner of the Company and/or any of its subsidiaries (the "Eligible Participants") as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the Eligible Participants. There is no share option movement nor any outstanding share option under the Share Option Scheme during the period under review.

Details of the principal terms of the Share Option Scheme are set out in the circular of the Company dated 11 April 2019. Certain principal terms of the Share Option Scheme are summarized as follows and in note 20 to the consolidated financial statement in this annual report:

The Share Option Scheme was adopted for a period of 10 years commencing from 17 May 2019 and will remain in force until 16 May 2029, after which period no further options will be offered or granted but the provisions of the Share Option Scheme shall remain in full force and effect in all other respects with respect to options granted during the life of the Share Option Scheme. The Company may by ordinary resolution in general meeting or the Board may at any time terminate the Share Option Scheme without prejudice to the exercise of options granted prior to such termination.

The subscription price for shares of the Company (each a "Share", and collectively, the "Shares") in respect of any particular option granted under the Share Option Scheme shall be such price as the Board shall determine, provided that such price shall be at least the highest of (i) the closing price per Share on the Main Board as stated in the Stock Exchange's daily quotations sheet on the date of offer of the option (and if such date of offer of the option is not a business day, the business day immediately preceding such date of offer of the option); (ii) the average closing price per Share on the Main Board as stated in the Stock Exchange's daily quotations sheets for the five (5) business days immediately preceding the date of offer of the option; and (iii) the nominal value of a Share. Subject to such terms and conditions as the Board may determine in its absolute discretion, there is no general requirement on the minimum period for which an option must be held before an option can be exercised under the Share Option Scheme.

The total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group must not, in aggregate, exceed 10% of the issued share capital of the Company as at the adoption date of the Share Option Scheme on 17 May 2019, such 10% being equivalent to 80,809,602 Shares, representing 10% of the issued share capital of the Company as at the date of this annual report. In addition, if any options subsequently lapse in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group, such options will not be counted for the purpose of calculating the said 10% limit.

The total number of Shares issued and to be issued upon exercise of the options granted to each Eligible Participant (including both exercised and outstanding options under the Share Option Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company.



Directors' Report

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period to be determined and notified by the Board which shall not exceed ten (10) years from the date of grant of the option.

An offer for the grant of an option made to an Eligible Participant pursuant to the Share Option Scheme shall remain open for acceptance by the Eligible Participant concerned for such period as determined by the Board, which period shall not be more than fourteen (14) days from the offer date, provided that no such offer shall be open for acceptance after the tenth (10th) anniversary of the adoption date of the Share Option Scheme or after the Share Option Scheme has been terminated in accordance with the provisions of the Share Option Scheme. The amount payable by the grantee to the Company on acceptance of the offer is HK\$1.00.

No share options were outstanding as at 31 December 2025. There is no share options movement during the year ended 31 December 2025.

Since the adoption date of the Share Option Scheme on 17 May 2019 and up to and including the date of this annual report, no share options were granted under the Share Option Scheme. Therefore, as at 1 January 2025, 31 December 2025 and the date of this annual report, 80,809,602 Shares, representing 10% of the issued share capital of the Company as at the date of this annual report, were available for issue under the Share Option Scheme.

EQUITY-LINKED AGREEMENTS

Save for the share option scheme of the Company as disclosed in the section headed "Share Option Scheme" above, no equity-linked agreements were entered into by the Group, or existed during the year.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws or the laws of Bermuda which would oblige the Company to offer new shares on a pro rata basis to existing shareholders.

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.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity of the financial statements. Details of movements in the reserves of the Company during the year are set out in note 26(b) to the consolidated financial statements

DISTRIBUTABLE RESERVES

Details of the distributable reserves of the Company as at 31 December 2025 are set out in note 21(d) to the consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 81.9% of the total sales for Year 2025 and sales to the largest customer included therein amounted to 45.4%. Purchases from the Group's five largest suppliers accounted for approximately 76.8% of the total purchase for Year 2025 and purchase from the Group's largest supplier included therein amounted to 61.1%.

None of the Directors or any of their close associates or any shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers and suppliers.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report were:

Executive Directors:

Mr. Sung Kai Hing (*Chairman and Chief Executive Officer*) (appointed on 20 April 2004)

Mr. Cheung Kong Cheung (appointed on 20 April 2004)

Independent non-executive Directors:

Mr. Kong Hing Ki (appointed on 29 May 2009)

Mr. Feng Jianzhong (appointed on 10 February 2022)

Ms. Leung Yuen Man (appointed on 1 April 2022)

Pursuant to bye-law 84(1) of the bye-laws of the Company, at each annual general meeting, one-third of the Directors for the time being shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years.

By virtue of bye-laws 84(1) and 84(2) of the bye-laws of the Company, the office of certain Directors, namely Mr. Cheung Kong Cheung and Mr. Kong Hing Ki will end at the forthcoming annual general meeting. All of the above Directors, being eligible, will offer themselves for re-election at the annual general meeting.

Each of the executive Directors has entered into a service contract with the Company for a term of three years commencing from 22 June 2024, which will continue until terminated by not less than three months' prior notice in writing served by either party on the other.

Each of Ms. Leung Yuen Man, Mr. Kong Hing Ki and Mr. Feng Jianzhong have entered into a letter of appointment with the Company for a period of two years commencing from 1 April 2024, 22 June 2024 and 10 February 2024 respectively.



Directors' Report

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

The Company has received from each of the independent non-executive Directors, namely, Ms. Leung Yuen Man, Mr. Kong Hing Ki and Mr. Feng Jianzhong, an annual confirmation of independence and the Company considers them to be independent.

BIOGRAPHIES OF DIRECTORS AND OTHER SENIOR MANAGEMENT

The biographical details of the Directors and other senior management are disclosed in the section headed "Biographical Details of Directors and Senior Management" on pages 26 to 28 in this annual report.

DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

No transactions, arrangements or contracts of significance in relation to which the Company or any of its subsidiaries, parent companies or fellow subsidiaries was a party, and in which any Director or any entity connected with a Director had a material interest or which the controlling shareholder of the Company or any of its subsidiaries was a party, subsisted at the end of the Year 2025 or at any time during the Year 2025.

DIRECTORS' INTEREST IN COMPETING BUSINESS

None of the Directors had any interest in a business which competes or likely to compete, either directly or indirectly, with the business of the Group.

INDEMNITY PROVISION

Bye-law 164(1) of the Company's Bye-laws provides that the Directors or other officers of the Company shall be indemnified and secured harmless out of the assets of the Company against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty provided that the indemnity shall not be extended to any matter in respect of any fraud or dishonesty which may be attached to the relevant Director or officer of the Company.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2025, the interests and short positions of the Directors and chief executive of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO") which were required to be entered into the register required to be kept under section 352 of the SFO or otherwise were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO) and/or the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix C3 to the Listing Rules (the "Model Code"), were as follows:

Long positions in the Shares of HK\$0.01 each

Name of Director/ chief executive	Capacity	Number of Shares	Approximate percentage of the issued share capital of the Company <i>(Note 1)</i>
Mr. Sung Kai Hing <i>(Note 2)</i>	Beneficial owner and interest of a controlled corporation	288,596,777	35.71%
Mr. Cheung Kong Cheung <i>(Note 3)</i>	Beneficial owner and interest of a controlled corporation	62,040,465	7.68%
Mr. Kong Hing Ki	Beneficial owner	900,000	0.11%

Notes:

- Based on 808,096,025 Shares in issue as at 31 December 2025.
- 29,690,000 Shares were held by Mr. Sung Kai Hing and 258,906,777 Shares were held by King Right Holdings Limited ("King Right"), a company beneficially wholly-owned by Mr. Sung Kai Hing, who is also the sole director of King Right. By virtue of the SFO, Mr. Sung Kai Hing is deemed to be interested in the same parcel of Shares in which King Right is interested.
- 7,200,000 Shares were held by Mr. Cheung Kong Cheung and 54,840,465 Shares were held by United Sino Limited ("United Sino"), a company beneficially wholly-owned by Mr. Cheung Kong Cheung, who is also the sole director of United Sino. By virtue of the SFO, Mr. Cheung Kong Cheung is deemed to be interested in the same parcel of Shares in which United Sino is interested.

Save as disclosed above, as at 31 December 2025, none of the Directors or chief executive of the Company had or was deemed to have any interests or short position in the shares, underlying shares and debentures of the Company and its associate corporations (within the meaning of Part XV of the SFO), which were required to be entered into the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or the Model Code.

Directors' Report

DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

During the Year 2025 and at the end of the Year 2025, none of the Company, its holding company, or any of its subsidiaries or fellow subsidiaries has been/was a party to any arrangement whose objects are, or one of whose objects is, to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for the Share Option Scheme. No options were granted to the Directors under the Share Option Scheme during the Year 2025.

SUBSTANTIAL SHAREHOLDERS

As at 31 December 2025, the persons (not being a Director or chief executive of the Company) who have interest or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Long positions in Shares of HK\$0.01 each

Name	Capacity	Number of Shares	Approximate percentage of shareholding (Note 1)	Note
King Right	Beneficial owner	258,906,777	32.04%	2
Ms. Wong Wai King	Family interests	288,596,777	35.71%	2
United Sino	Beneficial owner	54,840,465	6.79%	3
Ms. Li Xin	Family interests	62,040,465	7.68%	3
Golden Sunday Limited ("Golden Sunday")	Beneficial owner	54,840,465	6.79%	4
Mr. Chan Kwok Kin	Beneficial owner and interest of a controlled corporation	62,040,465	7.68%	4
Ms. Ho Fung Ying	Family interests	62,040,465	7.68%	4
Top Right Trading Limited ("Top Right")	Beneficial owner	51,586,293	6.38%	5
Mr. Huang Wei Ye	Beneficial owner and interest of a controlled corporation	58,936,293	7.29%	5
Ms. Ye Jian Qun	Family interests	58,936,293	7.29%	5

Notes:

1. Based on 808,096,025 Shares in issue as at 31 December 2025.
2. King Right is a company beneficially wholly-owned by Mr. Sung Kai Hing, who is also the sole director of King Right. Ms. Wong Wai King is the spouse of Mr. Sung Kai Hing and is deemed to be interested in the same parcel of Shares in which Mr. Sung Kai Hing is interested or deemed to be interested by virtue of the SFO.
3. United Sino is a company beneficially wholly-owned by Mr. Cheung Kong Cheung, who is also the sole director of United Sino. Ms. Li Xin is the spouse of Mr. Cheung Kong Cheung and is deemed to be interested in the same parcel of Shares in which Mr. Cheung Kong Cheung is interested or deemed to be interested by virtue of the SFO.
4. 7,200,000 Shares were held by Mr. Chan Kwok Kin and 54,840,465 Shares were held by Golden Sunday. Golden Sunday is a company beneficially wholly-owned by Mr. Chan Kwok Kin. By virtue of the SFO, Mr. Chan is deemed to be interested in the same parcel of Shares in which Golden Sunday is interested. Ms. Ho Fung Ying is the spouse of Mr. Chan Kwok Kin and is deemed to be interested in the same parcel of Shares in which Mr. Chan Kwok Kin is interested or deemed to be interested by virtue of the SFO.
5. 7,350,000 Shares were held by Mr. Huang Wei Ye and 51,586,293 Shares were held by Top Right. Top Right is a company beneficially wholly-owned by Mr. Huang Wei Ye. By virtue of the SFO, Mr. Huang Wei Ye is deemed to be interested in the same parcel of Shares in which Top Right is interested. Ms. Ye Jian Qun is the spouse of Mr. Huang Wei Ye and is deemed to be interested in the same parcel of Shares in which Mr. Huang is interested or deemed to be interested by virtue of the SFO.

Save as disclosed above, the Company had not been notified by any persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

EVENTS AFTER THE REPORTING PERIOD

There is no significant event after the reporting period.

CORPORATE GOVERNANCE

The Company is committed to maintaining the highest standard of corporate governance practices. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 11 to 25 of this annual report.



Directors' Report

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2025 are set out in note 24 to the consolidated financial statements of this annual report. None of the related party transactions constituted a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules. The remuneration for Directors referred to in note 24 to the consolidated financial statements of this annual report constituted continuing connected transactions which were fully exempt pursuant to Rule 14A.95 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as at the date of this annual report as required under the Listing Rules.

AUDITORS

The consolidated financial statements of the Group for the years ended 31 December 2023, 2024 and 2025 were audited by Baker Tilly Hong Kong Limited ("Baker Tilly").

Baker Tilly will hold office until the conclusion of the forthcoming annual general meeting. Baker Tilly, being eligible, will offer themselves for reappointment. A resolution for reappointment of Baker Tilly as auditors of the Company is to be proposed at the forthcoming annual general meeting.

APPRECIATION

On behalf of the Board, we would like to express my sincere gratitude to our shareholders, customers and business partners for their continuous supports. Our thanks also go to all staff members of the Group for their contributions and commitment to the continuous success of the Group.

By Order of the Board of
Hing Lee (HK) Holdings Limited
Sung Kai Hing
Chairman and Chief Executive Officer
Hong Kong, 20 March 2026



**Independent auditor's report to the shareholders of
Hing Lee (HK) Holdings Limited**

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

Opinion

We have audited the consolidated financial statements of Hing Lee (HK) Holdings Limited and its subsidiaries (together the "Group") set out on pages 44 to 96, which comprise the consolidated statement of financial position as at 31 December 2025, and the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2025 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with HKFRS Accounting Standards as issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") as issued by the HKICPA. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the consolidated financial statements" section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), as applicable to audits of financial statements of public interest entities. We have also fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Independent Auditor's Report

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The Key Audit Matter

How the matter was addressed in our audit

Impairment of trade receivables

Refer to Notes 2(h)(i), 15 and 22(a) to the audited consolidated financial statements

At 31 December 2025, the Group had gross trade receivables of HK\$16,853,000 (2024: HK\$36,284,000) with loss allowance of HK\$318,000 (2024: HK\$5,713,000).

Loss allowance for trade receivables is based on management's estimate of the lifetime expected credit losses to be incurred, which is estimated taking into account the credit loss experience, ageing of trade receivables, customers' repayment history and an assessment of both the current economic conditions and forward-looking information, all of which involve a significant degree of management judgement.

We identified assessing the impairment of trade receivables as a key audit matter because the assessment of loss allowance for trade receivables is inherently subjective and require significant management judgement, which increases the risk of error or potential management bias.

Our audit procedures in this area included:

- evaluating the design, implementation and operating effectiveness for key internal controls which govern credit control, debt collection and estimation of expected credit losses;
- assessing, on a sample basis, whether items in the trade receivables ageing report were classified within the appropriate ageing bracket by comparing individual items in the report with the relevant sales invoices;
- assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rates are appropriately adjusted based on current economic conditions and forward-looking information and examining the actual losses recorded during the current financial year and assessing whether there was an indication of management bias in estimating the loss allowance; and
- reviewing subsequent settlement records and challenging management regarding their reasons for not considering a provision against any unsettled past-due balances.

Independent Auditor's Report

Other information

The directors are responsible for the other information. The other information comprises all the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors and those charged with governance for the consolidated financial statements

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRS Accounting Standards as issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.



Independent Auditor's Report

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the Group's consolidated financial statements. We are responsible for the direction, supervision and review of the audit work performed for purpose of the group audit. We remain solely responsible for our audit opinion.

Independent Auditor's Report

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement director on the audit resulting in this independent auditor's report is Tong Wai Hang.

Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 20 March 2026

Tong Wai Hang

Practising certificate number PO6231

Consolidated Statement of Profit or Loss

for the year ended 31 December 2025 (Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Revenue	3	76,757	113,869
Cost of sales		<u>(67,039)</u>	<u>(98,172)</u>
Gross profit		9,718	15,697
Gain on disposal of subsidiaries	25(b)	-	13,930
Other net income	4	1,306	1,325
Selling and distribution expenses		(3,747)	(4,682)
Administrative expenses		<u>(6,329)</u>	<u>(8,776)</u>
Profit from operations		948	17,494
Finance costs	5(a)	<u>(161)</u>	<u>(2,170)</u>
Profit before taxation	5	787	15,324
Income tax expense	6	<u>-</u>	<u>-</u>
Profit for the year		<u>787</u>	<u>15,324</u>
		HK cents	HK cents
Earnings per share	9		
– Basic and diluted		<u>0.10</u>	<u>1.90</u>

The notes on pages 50 to 96 form part of the consolidated financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2025 (Expressed in Hong Kong dollars)

	2025	2024
<i>Note</i>	HK\$'000	HK\$'000
Profit for the year	787	15,324
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	370	(245)
– Exchange reserve reclassified to profit or loss upon disposal of subsidiaries, net of nil tax	<i>25(b)</i> -	(9,565)
	370	(9,810)
Total comprehensive income for the year	1,157	5,514

The notes on pages 50 to 96 form part of the consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2025 (Expressed in Hong Kong dollars)

	Note	2025 HK\$'000	2024 HK\$'000
Non-current assets			
Property, plant and equipment	11	1,012	1,146
Right-of-use assets	12	3,942	1,883
Goodwill	13	-	-
		<u>4,954</u>	<u>3,029</u>
Current assets			
Inventories	14	2,595	3,721
Trade and other receivables	15	19,197	32,619
Cash and cash equivalents		34,956	26,948
		<u>56,748</u>	<u>63,288</u>
Current liabilities			
Trade and other payables	16	12,795	11,903
Lease liabilities	17	2,740	2,247
		<u>15,535</u>	<u>14,150</u>
Net current assets		<u>41,213</u>	<u>49,138</u>
Total assets less current liabilities		<u>46,167</u>	<u>52,167</u>
Non-current liabilities			
Lease liabilities	17	914	-
Provision for long service payments	19(b)	178	168
		<u>1,092</u>	<u>168</u>
NET ASSETS		<u>45,075</u>	<u>51,999</u>
CAPITAL AND RESERVES			
Share capital	21(a)	8,081	8,081
Reserves		36,994	43,918
TOTAL EQUITY		<u>45,075</u>	<u>51,999</u>

Approved and authorised for issue by the board of directors on 20 March 2026.

Sung Kai Hing

Director

Cheung Kong Cheung

Director

The notes on pages 50 to 96 form part of the consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2025 (Expressed in Hong Kong dollars)

	Share capital	Share premium	Contributed surplus	Exchange reserve	Statutory reserve fund	Merger reserve	Capital reserve	(Accumulated losses)/ retained profits	Total equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(note 21(a))	(note 21(c)(i))	(note 21(c)(iii))	(note 21(c)(iii))	(note 21(c)(iv))	(note 21(c)(v))	(note 21(c)(vi))		
Balance at 1 January 2024	8,081	176,627	-	3,584	5,541	7,445	(24,862)	(69,243)	107,173
Changes in equity for 2024:									
Profit for the year	-	-	-	-	-	-	-	15,324	15,324
Other comprehensive loss	-	-	-	(9,810)	-	-	-	-	(9,810)
Total comprehensive income for the year	-	-	-	(9,810)	-	-	-	15,324	5,514
Appropriation of reserve	-	-	-	-	146	-	-	(146)	-
Transfer of reserves upon disposal of subsidiaries	-	-	-	-	(4,646)	(7,445)	-	12,091	-
Cancellation of share premium	-	(176,627)	68,143	-	-	-	-	108,484	-
Dividend paid (note 21(b))	-	-	(60,688)	-	-	-	-	-	(60,688)
Balance at 31 December 2024	<u>8,081</u>	<u>-</u>	<u>7,455</u>	<u>(6,226)</u>	<u>1,041</u>	<u>-</u>	<u>(24,862)</u>	<u>66,510</u>	<u>51,999</u>
Balance at 1 January 2025	8,081	-	7,455	(6,226)	1,041	-	(24,862)	66,510	51,999
Changes in equity for 2025:									
Profit for the year	-	-	-	-	-	-	-	787	787
Other comprehensive income	-	-	-	370	-	-	-	-	370
Total comprehensive income for the year	-	-	-	370	-	-	-	787	1,157
Appropriation of reserve	-	-	-	-	139	-	-	(139)	-
Dividend paid (note 21(b))	-	-	-	-	-	-	-	(8,081)	(8,081)
Balance at 31 December 2025	<u>8,081</u>	<u>-</u>	<u>7,455</u>	<u>(5,856)</u>	<u>1,180</u>	<u>-</u>	<u>(24,862)</u>	<u>59,077</u>	<u>45,075</u>

The notes on pages 50 to 96 form part of the consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2025 (Expressed in Hong Kong dollars)

	<i>Note</i>	2025 HK\$'000	2024 HK\$'000
Operating activities			
Profit before taxation		787	15,324
Adjustments for:			
Depreciation of property, plant and equipment	<i>5(c)</i>	515	2,024
Depreciation of right-of-use assets	<i>5(c)</i>	3,061	3,814
Gain on disposal of subsidiaries	<i>25(b)</i>	-	(13,930)
Reversal of write-down of inventories	<i>14(b)</i>	(167)	(76)
Reversal of impairment losses on:			
– trade receivables	<i>5(c)</i>	(5,420)	(3,529)
– other deposits and receivables	<i>5(c)</i>	(2)	(422)
Interest expense	<i>5(a)</i>	161	2,170
Interest income	<i>4</i>	(562)	(744)
Provision/(reversal of provision) for long service payments	<i>5(b)</i>	10	(23)
Loss on disposal of property, plant and equipment, net	<i>5(c)</i>	3	-
Effect of foreign exchange rate changes, net		5	479
		<hr/>	<hr/>
Operating (loss)/profit before changes in working capital		(1,609)	5,087
Decrease in inventories		1,384	366
Decrease/(increase) in trade and other receivables		19,121	(93)
Increase in trade and other payables		707	2,504
		<hr/>	<hr/>
Cash generated from operations		19,603	7,864
Interest received		562	744
Interest paid		-	(1,907)
		<hr/>	<hr/>
Net cash generated from operating activities		20,165	6,701
		<hr/>	<hr/>

Consolidated Statement of Cash Flows

for the year ended 31 December 2025 (Expressed in Hong Kong dollars)

	2025	2024
<i>Note</i>	HK\$'000	HK\$'000
Investing activities		
Purchase of property, plant and equipment	(362)	(17)
Proceeds from disposal of property, plant and equipment	1	–
Net cash inflow on disposal of subsidiaries	25(b) –	51,232
	(361)	51,215
Financing activities		
Dividend paid	21(b) (8,081)	(60,688)
Proceeds from new bank loans	23 –	3,297
Repayment of bank loans	23 –	(2,640)
Capital element of lease rentals paid	23 (3,758)	(3,908)
Interest element of lease rentals paid	23 (161)	(263)
	(12,000)	(64,202)
Net increase/(decrease) in cash and cash equivalents	7,804	(6,286)
Cash and cash equivalents at beginning of the year	26,948	33,510
Effect of foreign exchange rate changes	204	(276)
Cash and cash equivalents at end of the year	34,956	26,948

The notes on pages 50 to 96 form part of the consolidated financial statements.



Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

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 Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda. The principal place of business of the Company is located at Unit 1101, 11th Floor, Delta House, 3 On Yiu Street, Shatin, New Territories, Hong Kong.

The 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 Company’s principal subsidiaries are set out in note 25.

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

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements for the year ended 31 December 2025 comprise the Company and its subsidiaries (together the “Group”).

These consolidated financial statements have been prepared in accordance with HKFRS Accounting Standards, which collective term includes all applicable individual Hong Kong Financial Reporting Standards (“HKFRSs”), Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) 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”). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain new or amended HKFRS Accounting Standards that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting periods reflected in these consolidated financial statements.

2 MATERIAL ACCOUNTING POLICIES (continued)

(b) Basis of preparation of the consolidated financial statements

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis.

The preparation of the consolidated financial statements in conformity with HKFRS Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of HKFRS Accounting Standards that have significant effect on the consolidated financial statements and major sources of estimation uncertainty are discussed in note 27.

(c) Changes in accounting policies

The Group has applied amendments to HKAS 21, The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability issued by the HKICPA to these consolidated financial statements for the current accounting period. The amendments do not have a material impact on these consolidated financial statements as the Group has not entered into any foreign currency transactions in which the foreign currency is not exchangeable into another currency.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see note 28).

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions are eliminated.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

2 MATERIAL ACCOUNTING POLICIES (continued)

(d) Subsidiaries (continued)

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(h)(ii)).

(e) Goodwill

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 2(h)(ii)).

(f) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses (see note 2(h)(ii)).

Gains or losses on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values, if any, using the straight-line method over their estimated useful lives at the following annual rates, and is generally recognised in profit or loss:

Buildings	Over the lease terms of the leasehold land on which the building are situated
Leasehold improvements	20% or over the lease terms, whichever is shorter
Motor vehicles	18% – 20%
Office equipment	10% – 20%
Plant and machinery	10% – 33.33%

Depreciation methods, useful lives and residual values are reviewed annually and adjusted if appropriate.

2 MATERIAL ACCOUNTING POLICIES (continued)**(g) Leased assets**

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less and leases of low-value items. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised as in profit or loss on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see note 2(h)(ii)). Depreciation is calculated to write off the cost of right-of-use assets using the straight-line method over the lease term.



Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

2 MATERIAL ACCOUNTING POLICIES (continued)

(h) Credit losses and impairment of assets

(i) Credit losses from financial assets

The Group recognises a loss allowance for expected credit losses ("ECL" s) on financial assets measured at amortised cost (including cash and cash equivalents and trade and other receivables).

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts, discounted at effective interest rate, where the effect of discounting is material.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Loss allowances for trade receivables are always measured at an amount equal to lifetime ECLs which result from all possible default events over the expected lives of these financial assets.

For other financial assets measured at amortised cost, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in credit risk of the financial asset since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs. The 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the end of the reporting period or a shorter period if the expected life of the instrument is less than 12 months.

Significant increases in credit risk

When determining assessing whether the credit risk of a financial asset has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment, that includes forward-looking information. The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due unless a more lagging criteria is demonstrated to be more appropriate.

2 MATERIAL ACCOUNTING POLICIES (continued)

(h) Credit losses and impairment of assets (continued)

(i) *Credit losses from financial assets (continued)*

Significant increases in credit risk (continued)

The Group considers a financial asset to be in default when (i) the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due unless a more lagging criteria is demonstrated to be more appropriate.

ECLs are remeasured at the end of each reporting period to reflect changes in the financial asset's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- a breach of contract, such as a default;
- restructuring of loan/advance on terms that the Group would not consider otherwise;
or
- it is probable that the debtor will enter bankruptcy or other financial reorganisation.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.



Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

2 MATERIAL ACCOUNTING POLICIES (continued)

(h) Credit losses and impairment of assets (continued)

(ii) *Impairment of non-current assets*

At the end of each reporting date, the Group reviews internal and external sources of information to identify indications that the following assets:

- property, plant and equipment;
- right-of-use assets;
- goodwill; and
- investment in a subsidiary in the Company's statement of financial position.

If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units ("CGU" s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other non-current assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2 MATERIAL ACCOUNTING POLICIES (continued)

(i) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration and only the passage of time is required before payment of that consideration is due.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. All receivables are subsequently stated at amortised cost, including an allowance for credit losses (see note 2(h)(i)).

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see note 2(h)(i)).

(l) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

(m) Employee benefits

(i) Short term employee benefits and contributions to defined contribution retirement plans

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

2 MATERIAL ACCOUNTING POLICIES (continued)

(m) Employee benefits (continued)

(ii) Long service payments ("LSP") under the Hong Kong Employment Ordinance

The Group's net obligation in respect of LSP is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods and discounting that amount. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

The calculation of provision for LSP is performed by the management. Current service cost related to provision for LSP are recognised in profit or loss.

(iii) Share-based payments

The fair value of share options granted to employees is recognised as a staff cost with a corresponding increase in share option reserve within equity over the vesting period of the awards (see note 2(n)).

(n) Equity-settled share-based payment transactions

The Company operates a share option scheme under which the Group receives services or goods from its directors, employees and other eligible persons as consideration for share options of the Company. The grant-date fair value of the services or goods received in exchange for the grant of the share options is recognised as a staff cost with a corresponding increase in equity over the vesting period of the option granted. The amount recognised as an expense is adjusted to reflect the number of options for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of options that meet the related service conditions at the vesting date. The equity amount is recognised in the share option reserve until either the option is exercised or the option expires.

(o) Income tax

Income tax comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income ("OCI").

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

2 MATERIAL ACCOUNTING POLICIES (continued)

(o) Income tax (continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.



Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

2 MATERIAL ACCOUNTING POLICIES (continued)

(o) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
 - the same taxable entity; or
 - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

2 MATERIAL ACCOUNTING POLICIES (continued)

(q) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, provision of services and licensing of its own brands and product designs in the ordinary course of the Group's business.

The Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the goods or services before they are transferred to the customers. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the goods or services.

Revenue is recognised when control over a good or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(i) *Sale of goods*

Revenue is recognised when the customer takes possession of and accepts the products.

(ii) *Provision of services*

Service income received or receivable from customers when the service contracts, which relates to provision of general business consultancy services and provision of promotional services relating to layout design, fitting and display of products, are entered into and it is recognised over time on a straight-line basis over the term of service contracts.

(iii) *Licensing income*

Licensing income is recognised over time in accordance with the terms of the license agreements.

(iv) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

(v) *Government grants*

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as other income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.



Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

2 MATERIAL ACCOUNTING POLICIES (continued)

(r) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions. Foreign currency differences are recognised in OCI and accumulated in the exchange reserve.

When a foreign operation is disposed of in its entirety or partially such that control is lost, the cumulative amount in exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

(s) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

3 REVENUE

The principal activities of the Group are the design, manufacture, sale and marketing of home furniture products, provision of general business consultancy services, 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:

	2025	2024
	HK\$'000	HK\$'000
Sale of goods	76,257	111,139
Provision of services	500	2,730
	<u>76,757</u>	<u>113,869</u>
Disaggregated by timing of revenue recognition:		
Point in time	76,257	111,139
Over time	500	2,730
	<u>76,757</u>	<u>113,869</u>

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

4 OTHER NET INCOME

	2025	2024
	HK\$'000	HK\$'000
Bank interest income	562	744
Government grants	131	200
Others	613	381
	<u>1,306</u>	<u>1,325</u>

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

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

5 PROFIT BEFORE TAXATION

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

	2025	2024
	HK\$'000	HK\$'000
(a) Finance costs		
Interest on bank loans	-	1,907
Interest on lease liabilities	161	263
	161	2,170
(b) Staff costs		
Directors' remuneration (note 7)	2,318	1,318
Salaries, wages and other benefits	11,456	14,296
Retirement scheme contributions	1,475	1,454
Expense recognised/(reversed) in respect of LSP (note 19(b))	10	(23)
	15,259	17,045
(c) Other items		
Auditor's remuneration	650	700
Cost of inventories sold* (note 14(b))	67,039	98,172
Depreciation of:		
– property, plant and equipment	515	2,024
– right-of-use assets	3,061	3,814
Expense relating to short-term leases	77	75
Foreign exchange loss/(gain), net	27	(1,438)
Reversal of impairment losses on:		
(included in administrative expenses)		
– trade receivables	(5,420)	(3,529)
– other deposits and receivables	(2)	(422)
Loss on disposal of property, plant and equipment, net	3	-

Cost of inventories sold includes HK\$8,386,000 (2024: HK\$12,027,000) relating to staff costs and depreciation, which amount is also included in the respective total amounts disclosed separately above or in note 5(b) for each of these types of expenses.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

6 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 either have no assessable profits or have sufficient tax losses brought forward to set off against current year's estimated assessable profit for the years.

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 either have no assessable profits or have sufficient tax losses brought forward to set off against current year's estimated assessable profit for the years.

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

	2025	2024
	HK\$'000	HK\$'000
Profit before taxation	787	15,324
Tax on profit before taxation, calculated at the Hong Kong Profits Tax rate of 16.5% (2024: 16.5%)	130	2,528
Tax effect of non-deductible expenses	15	131
Tax effect of non-taxable income	(1,086)	(3,670)
Tax effect of different tax rates of subsidiaries	(23)	48
Tax effect of temporary differences not recognised	132	(541)
Tax effect of utilisation of tax losses not recognised previously	(66)	(138)
Tax effect of unused tax losses not recognised	905	1,656
Others	(7)	(14)
Actual tax expense	-	-

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

7 DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the Listing Rules are as follows:

	Directors' fees		Salaries, allowances, benefits in kind and discretionary bonuses		Retirement scheme contributions		Total	
	2025	2024	2025	2024	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Executive directors								
Sung Kai Hing (Chairman and Chief Executive Officer)	1,000	500	-	-	-	-	1,000	500
Cheung Kong Cheung	1,000	500	-	-	18	18	1,018	518
Independent non-executive directors								
Feng Jianzhong	100	100	-	-	-	-	100	100
Leung Yuen Man	100	100	-	-	-	-	100	100
Kong Hing Ki	100	100	-	-	-	-	100	100
	2,300	1,300	-	-	18	18	2,318	1,318

No emoluments were paid by the Group to the directors or any of the highest paid individuals, as set out in note 8, as an inducement to join or upon joining the Group or as compensation for loss of office during the year (2024: HK\$Nil).

Mr. Sung Kai Hing and Mr. Cheung Kong Cheung waived their directors' fees of approximately HK\$500,000 and HK\$500,000 respectively during the year ended 31 December 2024.

There was no agreement under which a director waived or agreed to waive any remuneration during the year ended 31 December 2025.

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(Expressed in Hong Kong dollars)

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2024: two) are directors whose emoluments are disclosed in note 7. The aggregate of the emoluments in respect of the other three (2024: three) individuals are as follows:

	2025	2024
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	1,019	1,030
Discretionary bonuses	110	78
Retirement scheme contributions	46	45
	1,175	1,153

The emoluments of the three (2024: three) individuals with the highest emoluments are within the following bands:

	2025	2024
	Number of individuals	Number of individuals
HK\$Nil to HK\$1,000,000	3	3

9 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of HK\$787,000 (2024: HK\$15,324,000) and the weighted average of 808,096,025 (2024: 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 2025 and 2024, basic and diluted earnings per share are the same.

10 SEGMENT REPORTING

(a) Operating segment information

The Group is principally engaged in furniture business, which includes the design, manufacture and sale and marketing of home furniture products, provision of general business consultancy services, provision of promotional services relating to layout design, fitting, 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.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

10 SEGMENT REPORTING (continued)

(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 to which 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.

	2025		2024	
	Revenue from external customers HK\$'000	Specified non-current assets HK\$'000	Revenue from external customers HK\$'000	Specified non-current assets HK\$'000
Asia (excluding the PRC)	52,374	1,336	72,127	419
Africa	470	-	-	-
Australia	158	-	-	-
Europe	5,444	-	4,314	-
The PRC	3,599	3,618	6,826	2,610
The United States	14,712	-	30,602	-
	76,757	4,954	113,869	3,029

Asia mainly covers Japan, Middle East and Southeast Asia; and Europe mainly covers France and Poland; Africa mainly covers Republic of the Congo and Republic of Cote d'Ivoire.

(c) Major customers

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

	2025 HK\$'000	2024 HK\$'000
Customer A	34,870	50,176
Customer B	9,110	N/A*
Customer C	11,481	28,473

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

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(Expressed in Hong Kong dollars)

11 PROPERTY, PLANT AND EQUIPMENT

	Buildings HK\$'000	Leasehold improvements HK\$'000	Motor vehicles HK\$'000	Office equipment HK\$'000	Plant and machinery HK\$'000	Total HK\$'000
Cost						
At 1 January 2024	97,402	48,976	206	11,810	3,488	161,882
Exchange realignment	(640)	(366)	(3)	(92)	(55)	(1,156)
Additions	-	-	-	14	3	17
Disposal of subsidiaries (note 25(b))	(96,762)	(45,808)	(50)	(10,925)	(1,310)	(154,855)
At 31 December 2024	-	2,802	153	807	2,126	5,888
At 1 January 2025	-	2,802	153	807	2,126	5,888
Exchange realignment	-	71	4	21	55	151
Additions	-	32	-	5	325	362
Disposal	-	-	-	(18)	(19)	(37)
At 31 December 2025	-	2,905	157	815	2,487	6,364
Accumulated depreciation and impairment						
At 1 January 2024	26,952	45,327	143	11,412	2,600	86,434
Exchange realignment	(180)	(340)	(2)	(86)	(39)	(647)
Charge for the year	1,070	780	28	14	132	2,024
Disposal of subsidiaries (note 25(b))	(27,842)	(43,287)	(50)	(10,608)	(1,282)	(83,069)
At 31 December 2024	-	2,480	119	732	1,411	4,742
At 1 January 2025	-	2,480	119	732	1,411	4,742
Exchange realignment	-	68	2	20	38	128
Charge for the year	-	325	21	14	155	515
Written back on disposal	-	-	-	(16)	(17)	(33)
At 31 December 2025	-	2,873	142	750	1,587	5,352
Net book value						
At 31 December 2025	-	32	15	65	900	1,012
At 31 December 2024	-	322	34	75	715	1,146

The Group's buildings were held for industrial use in the PRC under medium-term leases. The Group's buildings were derecognised upon the disposal of subsidiaries during the year ended 31 December 2024.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

12 RIGHT-OF-USE ASSETS

	Properties HK\$'000	Land use rights HK\$'000	Total HK\$'000
Cost			
At 1 January 2024	16,333	19,772	36,105
Exchange realignment	(321)	(78)	(399)
Disposal of subsidiaries <i>(note 25(b))</i>	–	(19,694)	(19,694)
	<u>16,012</u>	<u>–</u>	<u>16,012</u>
At 31 December 2024	<u>16,012</u>	<u>–</u>	<u>16,012</u>
At 1 January 2025	16,012	–	16,012
Exchange realignment	370	–	370
Lease modification	5,118	–	5,118
	<u>21,500</u>	<u>–</u>	<u>21,500</u>
At 31 December 2025	<u>21,500</u>	<u>–</u>	<u>21,500</u>
Accumulated depreciation and impairment			
At 1 January 2024	10,968	3,010	13,978
Exchange realignment	(269)	(11)	(280)
Charge for the year	3,430	384	3,814
Disposal of subsidiaries <i>(note 25(b))</i>	–	(3,383)	(3,383)
	<u>14,129</u>	<u>–</u>	<u>14,129</u>
At 31 December 2024	<u>14,129</u>	<u>–</u>	<u>14,129</u>
At 1 January 2025	14,129	–	14,129
Exchange realignment	368	–	368
Charge for the year	3,061	–	3,061
	<u>17,558</u>	<u>–</u>	<u>17,558</u>
At 31 December 2025	<u>17,558</u>	<u>–</u>	<u>17,558</u>
Net book value			
At 31 December 2025	<u><u>3,942</u></u>	<u><u>–</u></u>	<u><u>3,942</u></u>
At 31 December 2024	<u><u>1,883</u></u>	<u><u>–</u></u>	<u><u>1,883</u></u>

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

12 RIGHT-OF-USE ASSETS (continued)

The Group has obtained the right to use certain properties as its factory complex and office premises through tenancy agreements. The leases run for a period of 2 to 3 years (2024: 3 to 5 years), at the end of which period all terms are renegotiated.

The land use rights relate to leasehold land for industrial use in the PRC and are not allowed to be transferred or leased pursuant to the contracts for grant of the land use rights. They have a lease term of 50 years, commencing from 29 June 2007 and expiring on 28 June 2057. The land use rights were derecognised upon the disposal of subsidiaries during the year ended 31 December 2024.

None of the leases includes variable lease payments. Amounts included in the consolidated statement of cash flows leases comprise of cash outflow for leases of HK\$77,000 and HK\$3,919,000 (2024: HK\$75,000 and HK\$4,171,000) in operating and financing activities respectively.

13 GOODWILL

	2025	2024
	HK\$'000	HK\$'000
Cost		
At 1 January	46,806	47,830
Exchange realignment	1,183	(1,024)
	47,989	46,806
Accumulated impairment		
At 1 January	46,806	47,830
Exchange realignment	1,183	(1,024)
	47,989	46,806
Net book value		
At 31 December	-	-

Goodwill was allocated to the Group's CGU identified as upholstered furniture business in the PRC and was fully impaired since 2019 in view of the deterioration in sales level and operating results of the CGU in that year and loss of a major customer.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

14 INVENTORIES

(a) Inventories in the consolidated statement of financial position comprise:

	2025	2024
	HK\$'000	HK\$'000
Raw materials	878	828
Work in progress	1,717	2,787
Goods in transit	-	106
	2,595	3,721

(b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2025	2024
	HK\$'000	HK\$'000
Carrying amount of inventories sold	67,206	98,248
Reversal of write-down of inventories	(167)	(76)
	67,039	98,172

During the year, certain aged inventories were sold and, as a result, a reversal of write-down of inventories of HK\$167,000 (2024: HK\$76,000) has been recognised and included in cost of inventories sold.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

15 TRADE AND OTHER RECEIVABLES

	2025	2024
	HK\$'000	HK\$'000
Trade receivables	16,853	36,284
Less: Loss allowance (<i>note 22(a)</i>)	(318)	(5,713)
	16,535	30,571
Deposits paid to suppliers	13	73
Value added tax recoverable	659	382
Other deposits, prepayments and receivables	2,012	1,616
	2,684	2,071
Less: Loss allowance (<i>note 22(a)</i>)	(22)	(23)
	2,662	2,048
	19,197	32,619

The amount of deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK\$1,034,000 (2024: HK\$1,032,000). 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:

	2025	2024
	HK\$'000	HK\$'000
Within 3 months	7,306	18,947
3 to 6 months	1,562	3,737
6 to 9 months	4,562	6,717
9 months to 1 year	3,105	171
Over 1 year	-	999
	16,535	30,571

Trade receivables are normally due within 30 to 90 days (2024: 30 to 90 days) from the date of billing. Further details on the Group's credit policy are set out in note 22(a).

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

16 TRADE AND OTHER PAYABLES

	2025	2024
	HK\$'000	HK\$'000
Trade payables	10,454	7,304
Accrued charges	1,445	2,301
Trade deposits received	751	1,148
Other payables	145	1,150
	2,341	4,599
	12,795	11,903

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:

	2025	2024
	HK\$'000	HK\$'000
Within 3 months	8,437	6,670
3 months to 1 year	2,010	628
Over 1 year	7	6
	10,454	7,304

17 LEASE LIABILITIES

At 31 December 2025, the lease liabilities were repayable as follows:

	2025	2024
	HK\$'000	HK\$'000
Within 1 year	2,740	2,247
After 1 year but within 2 years	914	–
	3,654	2,247

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

18 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Movement of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

Deferred tax arising from:	Right-of-use assets	Lease liabilities	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 January 2024	(1,267)	1,267	–
Exchange realignment	13	(13)	–
Credited/(charged) to profit or loss	819	(819)	–
At 31 December 2024 and 1 January 2025	(435)	435	–
Exchange realignment	(1)	1	–
(Charged)/credited to profit or loss	(362)	362	–
At 31 December 2025	<u>(798)</u>	<u>798</u>	<u>–</u>

(b) Deferred tax assets not recognised

At 31 December 2025, the Group has not recognised deferred tax assets in respect of cumulative tax losses of HK\$54,337,000 (2024: HK\$52,803,000) as it is not probable that future taxable profits against which the assets can be utilised will be available in relevant tax jurisdiction and entity. Of the total tax losses, HK\$5,708,000 (2024: HK\$9,258,000) will expire within 5 years and the remaining tax losses of HK\$48,629,000 (2024: HK\$43,545,000) have no expiry date under the current tax legislation.

At 31 December 2025, save as disclosed in note 18(a), the Group does not have any other material temporary differences between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and therefore, no provision for deferred tax has been made (2024: HK\$Nil).

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

19 POST EMPLOYMENT BENEFITS

(a) Retirement benefits scheme

The Group participates a mandatory provident fund scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance for its employees in Hong Kong. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the Group and its employees are each required to make contributions to the scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$30,000. Contributions to the scheme vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

The employees of the Group’s subsidiaries which operate in the PRC are required to participate in state-managed retirement benefits schemes operated by the PRC government. The relevant PRC subsidiaries are required to contribute a specified percentage of their payroll costs to the relevant schemes to fund the benefits. The only obligation of the Group with respect to the retirement schemes is to pay the ongoing contributions required by the schemes. Contributions to the scheme vest immediately, there is no forfeited contributions that may be used by the Group to reduce the existing level of contribution.

(b) Provision for long service payments

Hong Kong employees that have been employed continuously for at least five years are entitled to long service payments in accordance with the Hong Kong Employment Ordinance under certain circumstances. These circumstances include where an employee is dismissed for reasons other than serious misconduct or redundancy, that employee resigns at the age of 65 or above, or the employment contract is of fixed term and expires without renewal. The amount of LSP payable is determined with reference to the employee’s final salary (capped at HK\$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group’s contributions to the MPF scheme (see note 19(a)), with an overall cap of HK\$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligation.

Starting from 1 May 2025 (the “Transition Date”), the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the “2022 Amendment Ordinance”) came into effect, which abolishes the statutory right of an employer to reduce its LSP payable to a Hong Kong employee by drawing on its mandatory contributions to the MPF scheme. Separately, a 25-year scheme to provide a subsidy (“Subsidy”) for employers’ costs in relation to the post-transition portion of the LSP has been implemented with effect on the Transition Date.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

19 POST EMPLOYMENT BENEFITS (continued)

(b) Provision for long service payments (continued)

Among other things, upon the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date; in addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The Group has accounted for the offsetting mechanism and its abolition as disclosed in note 2(m) and the Subsidy as government grants in accordance with note 2(q)(v).

The Group was not entitled to any Subsidy during the year ended 31 December 2025.

The present value of provision for LSP and its movements are as follows:

	2025	2024
	HK\$'000	HK\$'000
At 1 January	168	191
Expense recognised/(reversed) in profit or loss:		
Current service cost	10	(23)
At 31 December	<u>178</u>	<u>168</u>

The weighted average duration of the provision for LSP is 5.66 years (2024: 6.44 years). The above expense is recognised in administrative expense.

Significant actuarial assumptions (expressed as weighted averages) and sensitivity analysis are as follows:

	2025	2024
Discount rate	3.65%	4.09%
Future salary increases	1.00%	1.00%

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19 POST EMPLOYMENT BENEFITS (continued)

(b) Provision for long service payments (continued)

The below analysis shows how the defined benefit obligation would have increased/decreased as a result of 1% change in the significant actuarial assumptions:

	Increase in 1%		Decrease in 1%	
	2025	2024	2025	2024
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Discount rate	(9)	(10)	10	10
Future salary increases	1	3	(1)	(4)

The above sensitivity analysis is based on the assumption that changes in actuarial assumptions are not correlated and therefore it does not take into account the correlations between the actuarial assumptions.

20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS

Pursuant to the written resolution passed by the shareholders of the Company on 17 May 2019, the Company adopted a share option scheme (the "Share Option Scheme"). The purpose of the Share Option Scheme is to enable the Company to grant share options to eligible participants as incentives or rewards for their contribution to the growth of the Group and to provide the Group with a more flexible means to reward, remunerate, compensate and/or provide benefits to the eligible participants. The Share Option Scheme is valid and effective for a period of 10 years from 17 May 2019.

Under the Share Option Scheme, the Board may at their discretion grant share options to full-time or part-time employees, directors (including executive, non-executive or independent non-executive) and any suppliers, service providers and business partners of the Company and/or any of its subsidiaries.

The offer of a grant of share options may be accepted by the grantee within 14 days from the date of the offer, upon payment of HK\$1 by way of consideration for the grant. The maximum number of shares which may be issued upon exercise of all outstanding share options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company must not exceed 30% of the issued share capital of the Company from time to time. In addition, the total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company must not exceed 10% of the issued share capital of the Company as at 17 May 2019, being the scheme mandate limit. The Board may seek approval by the shareholders of the Company in general meeting to renew the scheme mandate limit, provided that the total number of shares which may be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of the Company in these circumstances must not exceed 10% of the issued share capital of the Company at the date of approval of the renewed limit.

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20 EQUITY-SETTLED SHARE-BASED TRANSACTIONS (continued)

Share options previously granted under the Share Option Scheme and any other share option schemes of the Company (including those outstanding, cancelled, lapsed in accordance with the Share Option Scheme or any other share option schemes of the Company and exercised share options) will not be counted for the purpose of calculating the renewed limit. The Board may seek separate shareholders' approval in general meeting to grant share options beyond the scheme mandate limit or the renewed limit provided that the share options in excess of the scheme mandate limit or the renewed limit are granted only to the participants specifically identified by the Company before such approval is sought. The total number of shares issued and to be issued upon exercise of the share options granted to each participant (including both exercised and outstanding share options under the Share Option Scheme) in any 12-month period must not exceed 1% of the issued share capital of the Company unless approved by the shareholders of the Company in general meetings.

No share options under the Share Option Scheme were granted or exercised during the years ended 31 December 2025 and 2024 and there were no outstanding share options under the Share Option Scheme as at 31 December 2025 and 2024.

21 SHARE CAPITAL, DIVIDENDS AND RESERVES

(a) Share capital

	2025		2024	
	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 ordinary shares rank equally with regard to the Company's residual assets.

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(Expressed in Hong Kong dollars)

21 SHARE CAPITAL, DIVIDENDS AND RESERVES (continued)

(b) Dividends

	2025	2024
	HK\$'000	HK\$'000
Interim dividend declared and paid during the year, of HK\$0.01 (2024: HK\$Nil) per ordinary share	8,081	–
Special dividend declared and paid during the year, of HK\$Nil (2024: HK\$0.0751) per ordinary share	–	60,688
	8,081	60,688

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2025 of HK\$0.015 (2024: HK\$Nil) per ordinary share, in an aggregate amount of approximately HK\$12,121,000 (2024: HK\$Nil), has been proposed by the directors of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

(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. Pursuant to the approval of the special resolution on 16 August 2024, the Company has cancelled the entire amount of share premium and applied part of the credit arising from share premium cancellation to eliminate the accumulated losses of the Company and credited the remaining balance to contributed surplus account of the Company.

(ii) Contributed surplus

Contributed surplus represented the excess of cancellation of share premium of HK\$176,627,000 and elimination of accumulated loss of the Company amounting to HK\$108,484,000 on 16 August 2024.

(iii) 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 as set out in note 2(r).

(iv) 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.

21 SHARE CAPITAL, DIVIDENDS AND RESERVES (continued)

(c) Nature and purpose of reserves (continued)

(v) *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 reorganisation since 2004.

(vi) *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 2025, the aggregate amount of reserves available for distribution to equity shareholders of the Company was HK\$23,350,000 (2024: HK\$32,023,000), being the aggregate of the contributed surplus and 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 net reserves, which includes cash and cash equivalents net of lease liabilities, and equity attributable to equity shareholders of the Company, comprising issued share capital, reserves and 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.



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22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group does not have any written risk management policies and guidelines. The directors monitor the financial risk management of the Group and take measures as considered necessary from time to time to minimise such financial risks.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables. The Group's exposure to credit risk arising from cash and cash equivalents is limited because the counterparties are reputable banks of which the Group considers to have low credit risk.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. At the end of the reporting period, the Group had a concentration of credit risk as 89% (2024: 67%) and 97% (2024: 99%) of total trade receivables due from the largest customer and five largest customers respectively.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These take into account the customer's past payment history, financial position and other factors. Trade receivables are due within 30 days to 90 days (2024: 30 days to 90 days) from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade receivables at an amount equal to lifetime ECLs, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases.

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(Expressed in Hong Kong dollars)

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables:

	2025			
	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Current (not past due)	1.75%	6,782	(119)	6,663
Less than 3 months past due	1.74%	2,244	(39)	2,205
3 to 6 months past due	1.74%	4,643	(81)	4,562
6 months to 1 year past due	1.77%	3,161	(56)	3,105
More than 1 year past due	100.00%	23	(23)	-
		16,853	(318)	16,535

	2024			
	Expected loss rate	Gross carrying amount HK\$'000	Loss allowance HK\$'000	Net carrying amount HK\$'000
Current (not past due)	1.81%	10,360	(187)	10,173
Less than 3 months past due	1.80%	11,242	(202)	11,040
3 to 6 months past due	1.79%	3,242	(58)	3,184
6 months to 1 year past due	1.80%	6,287	(113)	6,174
More than 1 year past due	100.00%	5,153	(5,153)	-
		36,284	(5,713)	30,571

Expected loss rates are based on actual loss experience in past 12 months. These rates are adjusted to reflect differences between economic conditions during the period over which the historical data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the trade receivables.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

Movement in loss allowance in respect of trade receivables during the year is as follows:

	2025	2024
	HK\$'000	HK\$'000
Balance at 1 January	5,713	11,464
Exchange realignment	25	(64)
Reversal of impairment loss	(5,420)	(3,529)
Disposal of subsidiaries	-	(2,158)
	318	5,713

The significant reversal of impairment loss was contributed by improved credit control and settlement of long outstanding past due balance.

The Group accounts for its credit risk by appropriately providing for ECLs on a timely basis. In calculating the ECL rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Definition of category	Basis for recognition of ECL provision
Stage 1	Exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit-impaired upon origination.	Portion of the lifetime ECL associated with the probability of default events occurring within the next 12 months is recognised.
Stage 2	Exposures where there has been a significant increase in credit risk since initial recognition but are not credit-impaired.	Lifetime expected losses (i.e. reflecting the remaining lifetime of the financial asset) is recognised.
Stage 3	Exposures are assessed as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that asset have occurred.	Lifetime expected losses is recognised and interest revenue is calculated by applying the effective interest rate to the amortised cost (net of provision) rather than the gross carrying amount.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(a) Credit risk (continued)

All deposits and other receivables are categorised under stage 1 and its analysis of changes in the corresponding ECL allowances is as follows:

	2025	2024
	HK\$'000	HK\$'000
Balance at 1 January	23	1,737
Exchange realignment	1	(10)
Reversal of impairment loss	(2)	(422)
Disposal of subsidiaries	-	(1,282)
	<hr/>	<hr/>
Balance at 31 December	22	23
	<hr/> <hr/>	<hr/> <hr/>

The Group rebutted the presumption of default under ECL model for deposits and other receivables for over 90 days past due based on continuous business with the Group. They are assessed individually based on their probability of default and exposure of default with reference to historical credit loss experience, adjusted by current and forward-looking factors.

(b) Liquidity risk

The Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following table shows the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk (continued)

	2025				2024			
	Total contractual carrying amount	undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years	Carrying amount	Total contractual undiscounted cash flow	Within 1 year or on demand	More than 1 year but less than 2 years
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade and other payables	12,044	12,044	12,044	-	10,755	10,755	10,755	-
Lease liabilities	3,654	3,827	2,857	970	2,247	2,291	2,291	-
	15,698	15,871	14,901	970	13,002	13,046	13,046	-

(c) Interest rate risk

Interest rate risk is the risk that future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk where the value of a financial instrument will fluctuate due to changes in market interest rates.

Interest-earning financial assets include mainly deposits with banks and cash at banks ("bank deposits"). Interest-bearing financial liabilities include lease liabilities. The Group currently does not have any interest rate hedging policy and will consider entering into interest rate hedging should the need arises. The Group ensures that it borrows at competitive interest rates under favourable terms and conditions.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(c) Interest rate risk (continued)

(i) Interest rate profile

The following table details the interest rate profile of the Group's interest-earning financial assets and interest-bearing financial liabilities at the end of the reporting period.

	2025		2024	
	Effective interest rate	HK\$'000	Effective interest rate	HK\$'000
Fixed rate deposits/(liabilities):				
Bank deposits	2.67%	24,379	3.45%	19,125
Lease liabilities	3.75% - 6.08%	(3,654)	5.89% - 6.08%	(2,247)
Net fixed rate deposits		20,725		16,878
Variable rate deposits:				
Bank deposits	0.13%	8,328	0.83%	5,974
Net exposure		29,053		22,852

(ii) Sensitivity analysis

At 31 December 2025 and 2024, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained profits by approximately HK\$69,000 (2024: HK\$50,000) for the year.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for financial instruments in existence at that date. The 100 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the end of the next annual reporting period. The analysis is performed on the same basis for 2024.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

22 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS (continued)

(d) Foreign currency risk

Foreign currency risk is the risk that the value or future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates.

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 the transaction relates. The currencies giving rise to this risk are primarily Hong Kong dollars, Renminbi and United States dollars. Hence, the Group's foreign currency risk is considered to be minimal by the directors of the Company. The Group does not hold or issue material derivative financial instruments for trading purposes or to hedge 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.

The following table details the Group's exposure at the end of the reporting period to foreign currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the operations to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the end of the reporting period.

	2025			2024		
	Denominated in			Denominated in		
	Hong Kong dollars HK\$'000	Renminbi HK\$'000	United States dollars HK\$'000	Hong Kong dollars HK\$'000	Renminbi HK\$'000	United States dollars HK\$'000
Trade and other receivables	-	-	1,124	-	-	6,037
Cash and cash equivalents	1,609	215	5,856	3,932	3,305	97
Trade and other payables	-	-	(260)	-	-	(353)
Net exposure	<u>1,609</u>	<u>215</u>	<u>6,720</u>	<u>3,932</u>	<u>3,305</u>	<u>5,781</u>

It is assumed that the pegged rate between Hong Kong dollars and United States dollars would be materially unaffected by any changes in movement in value of United States dollars against other currencies and thus the sensitivity analysis is not presented.

Renminbi is not a freely convertible currency and the remittance of funds out of the PRC is subject to exchange restrictions imposed by the PRC government.

At 31 December 2025 and 2024, it is estimated that the effect on the Group's profit after tax and retained profits for the years would not be material for a general depreciation or appreciation of 5% on Hong Kong dollars against Renminbi with all other variables held constant.

(e) Fair value measurement

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost were not materially different from their fair values as at 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

23 CASH FLOW INFORMATION

The table below details changes in the Group's liabilities arising from financing activities, including cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the consolidated statement of cash flows as cash flows from financing activities.

	Bank loans HK\$'000	Lease liabilities HK\$'000 <i>(note 17)</i>	Total HK\$'000
At 1 January 2024	53,828	6,273	60,101
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(3,908)	(3,908)
Interest element of lease rentals paid	–	(263)	(263)
Proceeds from new bank loans	3,297	–	3,297
Repayment of bank loans	(2,640)	–	(2,640)
Total changes from financing cash flows	657	(4,171)	(3,514)
Exchange realignment	(356)	(118)	(474)
Other changes			
Disposal of subsidiaries <i>(note 25(b))</i>	(54,129)	–	(54,129)
Finance costs <i>(note 5(a))</i>	1,907	263	2,170
Interest paid on bank loans	(1,907)	–	(1,907)
Total other changes	(54,129)	263	(53,866)
At 31 December 2024	–	2,247	2,247
At 1 January 2025	–	2,247	2,247
Changes from financing cash flows:			
Capital element of lease rentals paid	–	(3,758)	(3,758)
Interest element of lease rentals paid	–	(161)	(161)
Total changes from financing cash flows	–	(3,919)	(3,919)
Exchange realignment	–	47	47
Other changes			
Lease modification	–	5,118	5,118
Finance costs <i>(note 5(a))</i>	–	161	161
Total other changes	–	5,279	5,279
At 31 December 2025	–	3,654	3,654

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

24 MATERIAL RELATED PARTY TRANSACTIONS

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 7 and certain of the highest paid employees as disclosed in note 8, is as follows:

	2025	2024
	HK\$'000	HK\$'000
Short-term employee benefits	3,429	2,408
Post-employment benefits	64	63
	3,493	2,471

Total remuneration is included in "staff costs" (see note 5(b)).

Save as disclosed in the above and note 25(b) in these consolidated financial statements, the Group did not have any material related party transactions during the years ended 31 December 2025 and 2024.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

25 SUBSIDIARIES

(a) Particulars of the Company's principal subsidiaries are as follows:

Name of company	Place of incorporation and operation	Particulars of issued and paid-up share capital/registered capital	Proportion of Group's ownership interest		Principal activities
			2025	2024	
Directly held by the Company					
Great Ample Holdings Limited	BVI	22,001 shares of US\$1 each	100%	100%	Investment holding
Indirectly held by the Company					
Hing Lee Furniture Company Limited	BVI/Hong Kong	1 share of US\$1	100%	100%	Trading of furniture
Sharp Motion Worldwide Limited	BVI	4 shares of US\$1 each	100%	100%	Trademark holding/licensing
Hing Lee Furniture Group Limited	Hong Kong	3 shares of HK\$1 each	100%	100%	Trading of furniture and provision of management services
Astromax Investment Limited	BVI	100 shares of US\$1 each	100%	100%	Investment holding
City Leading Limited	Hong Kong	1 share of HK\$1	100%	100%	Trading of sofa, provision of general business consultancy services and investment holding
深圳興利萬家具有限公司 (Shenzhen Xingli Wanjia Furniture Company Limited)*	PRC	RMB500,000	100%	100%	Sale and marketing of home furniture
深圳歐羅家具有限公司 (Shenzhen Ouluo Furniture Company Limited)*	PRC	RMB8,500,000	100%	100%	Design, manufacture, sale and marketing of home furniture

* These companies are limited liability wholly-owned foreign enterprises established in the PRC and their official names are in Chinese. The English company names are for reference only.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

25 SUBSIDIARIES (continued)

(b) Disposal of subsidiaries

On 21 August 2024, the Group disposed of the entire equity interest in Success Profit International Limited and its subsidiaries (together "SP Group") to certain key management personnel of the Group for a total consideration of HK\$62,000,000. Details of disposal of subsidiaries are set out in the Company's circular and announcement dated 26 July 2024 and 21 August 2024 respectively.

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

	HK\$'000
Property, plant and equipment	71,786
Right-of-use assets	16,311
Trade and other receivables	18,032
Cash and cash equivalents	9,469
Trade and other payables	(5,133)
Bank loans	(54,129)
	<hr/>
Net assets	56,336
	<hr/> <hr/>

Gain on disposal of SP Group:

	HK\$'000
Cash consideration	62,000
Less: disposal related costs	(1,299)
	<hr/>
	60,701
Net assets disposed of	(56,336)
	<hr/>
	4,365
Exchange reserve in respect of SP Group reclassified from equity to profit or loss upon disposal	9,565
	<hr/>
Gain on disposal	13,930
	<hr/> <hr/>

Net cash flow on disposal of SP Group:

	HK\$'000
Consideration settled in cash	62,000
Less: disposal related costs	(1,299)
Less: cash and cash equivalents disposed of	(9,469)
	<hr/>
Net cash inflow	51,232
	<hr/> <hr/>

The acquirers, namely Mr. Sung Kai Hing, Mr. Cheung Kong Cheung, Mr. Chan Kwok Kin and Mr. Huang Wei Ye, are the key management personnel of the Company. Therefore, the disposal of subsidiaries constituted a related party transaction.

The SP Group contributed revenue of HK\$11,718,000 and net loss of HK\$1,622,000 to the Group for the year ended 31 December 2024.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

26 FINANCIAL INFORMATION OF THE COMPANY

(a) Statement of financial position

	2025 HK\$'000	2024 HK\$'000
Non-current assets		
Investment in a subsidiary	31,019	31,019
Right-of-use assets	1,336	419
	<u>32,355</u>	<u>31,438</u>
Current assets		
Other receivables	195	167
Amounts due from subsidiaries	20,168	18,360
Cash and cash equivalents	1,049	596
	<u>21,412</u>	<u>19,123</u>
Current liabilities		
Other payables and accrued charges	637	586
Amounts due to subsidiaries	20,266	9,352
Lease liabilities	439	447
	<u>21,342</u>	<u>10,385</u>
Net current assets	<u>70</u>	<u>8,738</u>
Total assets less current liabilities	<u>32,425</u>	<u>40,176</u>
Non-current liabilities		
Lease liabilities	914	–
Provision for long service payments	80	72
	<u>994</u>	<u>72</u>
NET ASSETS	<u><u>31,431</u></u>	<u><u>40,104</u></u>
CAPITAL AND RESERVES		
Share capital	8,081	8,081
Reserves	23,350	32,023
TOTAL EQUITY	<u><u>31,431</u></u>	<u><u>40,104</u></u>

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

26 FINANCIAL INFORMATION OF THE COMPANY (continued)

(b) Details of changes in the Company's reserves during the year:

	Share premium HK\$'000 <i>(note 21(c)(i))</i>	Contributed surplus HK\$'000 <i>(note 21(c)(ii))</i>	(Accumulated losses)/ retained profits HK\$'000	Total HK\$'000
Balance at 1 January 2024	176,627	–	(108,484)	68,143
Changes in equity for 2024:				
Profit and total comprehensive income for the year	–	–	24,568	24,568
Cancellation of share premium	(176,627)	68,143	108,484	–
Dividend paid <i>(note 21(b))</i>	–	(60,688)	–	(60,688)
Balance at 31 December 2024 and at 1 January 2025	–	7,455	24,568	32,023
Changes in equity for 2025:				
Loss and total comprehensive loss for the year	–	–	(592)	(592)
Dividend paid <i>(note 21(b))</i>	–	–	(8,081)	(8,081)
Balance at 31 December 2025	–	7,455	15,895	23,350

27 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

27 CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (continued)

(i) Impairment of property, plant and equipment and right-of-use assets

If the circumstances indicate that the carrying values of these assets may not be recoverable, the assets may be considered "impaired", and an impairment loss may be recognised in accordance with HKAS 36 "Impairment of Assets". Under HKAS 36, these assets are tested for impairment whenever events or changes in circumstances indicate that their recorded carrying amounts may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amount is the greater of its fair value less costs of disposal and the value in use. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to level of sales volume, selling prices and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of sales volume, selling prices and amount of operating costs. However, actual sales volumes, selling prices and operating costs may be different from assumptions which may require a material adjustment to the carrying amount of the assets affected.

(ii) Loss allowances for trade and other receivables

The Group estimates the loss allowances for trade and other receivables by assessing the ECLs. This requires the use of estimates and significant judgements. ECLs are based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, and an assessment of both the current economic conditions and forward-looking information at the end of the reporting period. Where the estimation is different from the previous estimate, such difference will affect the carrying amounts of trade and other receivables and thus the impairment loss in the period in which such estimate is changed.

Notes to the Consolidated Financial Statements

(Expressed in Hong Kong dollars)

28 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2025

Up to the date of issue of these consolidated financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2025 and which have not been adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group:

		Effective for accounting periods beginning on or after
Amendments to HKFRS 9 and HKFRS 7	Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to HKFRS 9 and HKFRS 7	Contracts Referencing Nature-dependent Electricity	1 January 2026
Amendments to HKFRS 1, HKFRS 7, HKFRS 9, HKFRS 10 and HKAS 7	Annual Improvements to HKFRS Accounting Standards – Volume 11	1 January 2026
HKFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
Amendments to HKAS 21	Translation to a Hyperinflationary Presentation Currency	1 January 2027
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them will not have a significant impact on the Group's consolidated financial statements except for HKFRS 18.

HKFRS 18 will replace HKAS 1 Presentation of Financial Statements and aims to improve the transparency and comparability of information about an entity's financial statements. HKFRS 18 is effective for annual reporting periods beginning on or after 1 January 2027 and is to be applied retrospectively.

Among other changes, under HKFRS 18, entities are required to classify all income and expenses into five categories in the statement of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to provide specific disclosures about management-defined performance measures in a single note in the financial statements.

The Group does not plan to early adopt HKFRS 18 and is still in the process of assessing the impact of the adoption.