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HANVEY GROUP HOLDINGS LIMITED

恆偉集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8219)

ANNOUNCEMENT OF UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

CHARACTERISTICS OF GEM (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors of HANVEY GROUP HOLDINGS LIMITED (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Listed Company Announcements” page of the GEM website at www.hkgem.com for at least 7 days from the date of its publication and on the website of the Company at www.hanveygroup.com.hk.

Due to the reasons explained below under “Review of Unaudited Annual Results”, the audit process for the annual results of Hanvey Group Holdings Limited (the “**Company**”) and its subsidiaries (together the “**Group**”) for the year ended 31 December 2021 (“**FY2021**”) has been disrupted and has not been completed as of the announcement date. In order to keep the shareholders of the Company (the “**Shareholders**”) and potential investors informed of the business operation and financial position of the Group, the board (the “**Board**”) of directors (the “**Directors**”) of the Company decided to present the unaudited annual consolidated financial results of the Company and its subsidiaries (together the “**Group**”) for the FY2021, together with the audited comparative figures for the corresponding period of 2020, as follows:

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	Year ended 31 December	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Revenue	5	204,495	139,335
Cost of sales		(147,652)	(106,192)
Gross profit		56,843	33,143
Other income and other loss, net	6	2,471	(2,142)
Selling and distribution expenses		(4,585)	(4,350)
Administrative expenses		(52,439)	(47,838)
Finance costs	7	(5,154)	(4,999)
Loss before tax	8	(2,864)	(26,186)
Income tax expense	9	(5)	(22)
Loss for the year		(2,869)	(26,208)
Attributable to			
Owners of the Company		(2,626)	(26,208)
Non-controlling interests		(243)	–
		(2,869)	(26,208)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating		1,940	3,053
Other comprehensive income for the year, net of tax		1,940	3,053
Total comprehensive expense for the year		(929)	(23,155)
Attributable to			
Owners of the Company		(686)	(23,155)
Non-controlling interests		(243)	–
		(929)	(23,155)
Loss per share attributable to equity owners of the Company			(Restated)
Basic and diluted (<i>HK\$ cents</i>)	10	(2.15)	(21.49)

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

		As at 31 December	
	<i>Notes</i>	2021	2020
		HK\$'000	HK\$'000
		(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		67,984	68,986
Right-of-use assets		3,927	2,939
Investment properties		11,223	10,748
Financial asset at fair value through profit or loss		440	440
Deferred tax assets		–	5
		<hr/> 83,574	<hr/> 83,118
Current assets			
Inventories		28,594	20,233
Trade receivables	11	21,341	16,190
Other receivables, deposits and prepayments		9,491	7,678
Financial asset at fair value through profit or loss		18,243	18,157
Tax recoverable		–	466
Pledged bank deposits		46,887	46,619
Cash and bank balances		13,046	17,854
		<hr/> 137,602	<hr/> 127,197
Current liabilities			
Trade and bills payables	12	60,638	55,252
Other payables and accrued expenses		5,339	5,990
Contract liabilities		1,985	1,915
Bank overdrafts		3,298	2,485
Borrowings		86,016	51,888
Lease liabilities		1,548	1,274
Tax payable		204	65
		<hr/> 159,028	<hr/> 118,869
Net current (liabilities)/assets		<hr/> (21,426)	<hr/> 8,328
Total assets less current liabilities		<hr/> 62,148	<hr/> 91,446

	As at 31 December	
	2021	2020
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Non-current liabilities		
Borrowings	21,508	50,724
Lease liabilities	1,747	900
	<u>23,255</u>	<u>51,624</u>
Net assets	<u>38,893</u>	<u>39,822</u>
Capital and reserves		
Share capital	10,000	10,000
Reserves	28,893	29,822
	<u>38,893</u>	<u>39,822</u>
Total equity	<u>38,893</u>	<u>39,822</u>

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Share capital	Share premium	Exchange reserves <i>(Note (a))</i>	Other reserve <i>(Note (b))</i>	Retained earnings/ (accumulated losses)	Non- controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2020 (Audited)	10,000	42,344	(52)	1,000	9,685	–	62,977
Loss for the year	–	–	–	–	(26,208)	–	(26,208)
Other comprehensive income for the year	–	–	3,053	–	–	–	3,053
Total comprehensive income/ (expense) for the year	–	–	3,053	–	(26,208)	–	(23,155)
At 31 December 2020 and 1 January 2021 (Audited)	10,000	42,344	3,001	1,000	(16,523)	–	39,822
Loss for the year	–	–	–	–	(2,626)	(243)	(2,869)
Other comprehensive income for the year	–	–	1,940	–	–	–	1,940
Total comprehensive income/ (expense) for the year	–	–	1,940	–	(2,626)	(243)	(929)
At 31 December 2021 (Unaudited)	10,000	42,344	4,941	1,000	(19,149)	(243)	38,893

Notes:

- (a) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.
- (b) The other reserve is according to the reorganisation and pursuant to the Sale and Purchase Agreement of 3 Wells Watch Industries Limited dated 4 August 2017, Precise Time Global Limited acquired 1,000,000 ordinary shares of 3 Wells Watch Industries Limited (representing the entire issued share capital of 3 Wells Watch Industries Limited) from Million Easy Enterprises Limited, and in consideration thereof, Beyond Blossom Investments Limited allotted and issued one share, credited as fully paid, to the Company as directed by Million Easy Enterprises Limited.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands on 12 June 2017 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 3, 5 and 6, 15th Floor, Tower One, Ever Gain Plaza, No. 88 Container Port Road, Kwai Chung, New Territories, Hong Kong. Its ultimate holding company and immediate holding company are Million Easy Enterprises Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in design and development, manufacturing and distribution of watch products on original design manufacturing (“ODM”) basis for watch manufacturers, brand owners and watch importers across the global.

The shares of the Company have been listed on the GEM of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 12 July 2018 (the “Listing Date”).

The consolidated financial statement is presented in (“HK\$” or “HKD”) which is also the functional currency of the Company and its subsidiaries. All values are rounded to the nearest thousand (HK\$’000), except where otherwise indicated.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs that have been issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ³
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ³
Amendments to HKAS 8	Definition of Accounting Estimates ³
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 ²

¹ Effective for annual periods beginning on or after 1 April 2021.

² Effective for annual periods beginning on or after 1 January 2022.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The unaudited consolidated financial statements have been prepared in accordance with HKFRSs, which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA, and accounting principles generally accepted in Hong Kong. In addition, the consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”) and the disclosure requirements of the Hong Kong Companies Ordinance (“CO”).

4. SEGMENT INFORMATION

Information reported to the chief operating decision makers (“CODMs”) for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group currently operates in the manufacturing and trading business of watches. A single management team reports to the CODMs who comprehensively manages the entire business. Accordingly, the Group does not have separate reportable segments.

No segment assets and liabilities are presented as they were not regularly provided to the CODMs of the purpose of resource allocation and performance assessment.

Geographical information

The Group's revenue is mainly derived from customers located in the Indonesia, Hong Kong, Brazil, India, Kingdom of Saudi Arabia, Australia, United Arab Emirates ("UAE") and Turkey. The Group's revenue by the geographical location of the customers, determined based on the location to which the Group bills the customers, is detailed below:

	Year ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Indonesia	131,232	62,695
Hong Kong	13,042	17,644
Brazil	18,794	13,153
India	14,159	12,014
Kingdom of Saudi Arabia	3,982	8,855
Australia	6,015	4,003
UAE	1,207	2,501
Turkey	2,962	1,974
Others (Note)	13,102	16,496
	<u>204,495</u>	<u>139,335</u>

Note: Other geographical locations are mainly located in Germany, Thailand, United Kingdom, Switzerland, Bangladesh and Colombia.

The Group's business activities are conducted predominantly in Hong Kong and the PRC. Information about the Group's non-current assets* by the geographical location of the assets is detailed below:

	As at 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Hong Kong	39,392	39,849
PRC	43,742	42,824
	<u>83,134</u>	<u>82,673</u>

* Non-current assets exclude deferred tax assets and financial asset at FVTPL.

Revenue from major customers

Revenue from customers of the corresponding years over 10% of the total revenue of the Group are as follows:

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Customer A	<u>131,232</u>	<u>62,695</u>

5. REVENUE

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Finished watches	129,652	114,557
SKD kits	40,150	23,537
Watch parts	<u>34,693</u>	<u>1,241</u>
Revenue recognised at a point in time	<u>204,495</u>	<u>139,335</u>

All revenue contracts are for period of one year or less, as permitted by practical expedient under HKFRS 15 *Revenue from Contracts with Customers*, the transaction price allocated to these unsatisfied contract is not disclosed.

6. OTHER INCOME AND OTHER LOSS, NET

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Interest income	587	154
Rental income	335	312
Exchange loss	(300)	(220)
Government grants (<i>Note</i>)	1,246	1,973
Sundry income	51	166
Loss on disposal of right-of-use assets, net	–	(240)
Net gain/(loss) arising from change in fair value of investment properties	475	(3,452)
Net gain/(loss) arising from change in fair value of financial assets at FVTPL	<u>77</u>	<u>(835)</u>
	<u>2,471</u>	<u>(2,142)</u>

Note: During the current year, the Group recognised government grant of approximately HK\$750,000 in respect of development branding which is related to Enterprise Support Scheme provided by the Hong Kong government (2020: HK\$984,000 in respect of COVID-19 related subsidies which is related to Employment Support Scheme provided by the Hong Kong government) and HK\$496,000 (2020: HK\$989,000) which is related to PRC government in respect of COVID-19 related subsidies.

7. FINANCE COSTS

	Year ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Interest on:		
Borrowings	4,910	4,814
Lease liabilities	196	150
Bank overdrafts	48	35
	<u>5,154</u>	<u>4,999</u>

8. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging:

	Year ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
Directors' emoluments	7,318	7,282
Staff costs (excluded directors' emoluments)	12,065	10,806
Bonus	1,271	661
Retirement benefit scheme contributions	1,493	1,174
Total staff costs	<u>14,829</u>	<u>12,641</u>
	<u>22,147</u>	<u>19,923</u>
Auditors' remuneration	860	860
Depreciation of property, plant and equipment	5,302	5,149
Write-down of inventories (<i>Note</i>)	620	834
Cost of inventories recognised as expenses	143,045	95,432
Depreciation of right-of-use assets	1,757	1,864
Commission paid	727	1,344
Expenses relating to short-term leases	–	101
Allowance for ECL on trade receivables	29	1,712

Note: Written-off of inventories were included in cost of sales.

9. INCOME TAX EXPENSE

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (the "BVI"), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The Group is subjected to Hong Kong Profits Tax at a rate of 16.5% (2020: 16.5%) for the year ended 31 December 2021.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

One of the subsidiaries of the Company is subject to Hong Kong Profits Tax at the rate of 8.25% for the first HK\$2 million of estimated assessable profits and at 16.5% on the estimated assessable profits above HK\$2 million. Other subsidiaries of the Company are subjected to Hong Kong Profits Tax at the rate of 16.5% for the years ended 31 December 2021 and 2020.

The subsidiary of the Group established in the PRC is generally subject to PRC Enterprise Income Tax (“**EIT**”) on its taxable income at an income tax rate of 25% for both years.

	Year ended 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Tax charge comprises:		
Current tax		
Hong Kong Profits Tax – Under-provision in prior years	–	22
	–	22
Deferred tax	5	–
	<u>5</u>	<u>22</u>

10. LOSS PER SHARE

Basic loss per share are calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Loss		
Loss attributable to owners of the Company	<u>(2,626)</u>	<u>(26,208)</u>
Number of shares (thousands)		(Restated)
Weighted average number of ordinary shares for calculating basic and diluted loss per share	<u>121,951</u>	<u>121,951</u>

The weighted average number of ordinary shares for the purpose of basic loss per share has been adjusted retrospectively for the effect of share consolidation and the rights issue.

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

11. TRADE RECEIVABLES

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade receivables	21,410	18,303
Less: allowance for ECL	(69)	(2,113)
	<u>21,341</u>	<u>16,190</u>

The Group generally allows credit period ranging from 30 days to 90 days to its customers.

The aged analysis (based on invoice date) of the Group's trade receivables (after allowance for ECL) as at the end of each of reporting period is as follows:

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
0 to 30 days	15,478	3,834
31 to 60 days	4,360	5,256
61 to 90 days	647	1,853
Over 90 days	856	5,247
	<u>21,341</u>	<u>16,190</u>

12. TRADE AND BILLS PAYABLES

	As at 31 December	
	2021	2020
	HK\$'000	HK\$'000
	(Unaudited)	(Audited)
Trade payables	26,624	26,184
Bills payables	34,014	29,068
	<u>60,638</u>	<u>55,252</u>

The credit period on trade payables is generally 30 to 120 days. The Group has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
0 to 30 days	6,181	3,874
31 to 60 days	10,497	7,593
61 to 90 days	7,753	7,232
91 to 120 days	1,742	724
Over 120 days	451	6,761
	26,624	26,184

13. DIVIDEND

The Board does not recommend the payment of a final dividend for the FY2021 (2020: nil).

No dividend has been paid or declared by the Company since the date of its incorporation.

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is principally engaged in the design and development, manufacturing and distribution of watch products on original design manufacturing (“ODM”) basis for watch manufacturers, brand owners and watch importers across the globe.

The Group derives revenue mainly from the sale of: (i) finished watches, (ii) semi-knocked-down kit, and (iii) watch parts.

For the FY2021, the Group’s revenue amounted to approximately HK\$204.50 million, increased by approximately 46.76% when compared with that for the corresponding period of 2020.

BUSINESS REVIEW

The Hong Kong Trade Development Council (“HKTDC”) used to conduct a survey every quarter, which involves interviewing 500 local exporters from six major industries that include machinery, electronics, jewellery, watches and clocks, toys and clothing to gauge their business confidence on near-term export prospects. According to the HKTDC’s research entitled: “HKTDC Export Index 4Q21: Exporter Sentiment Declines as Covid-19 Resurges and Logistics Costs Spiral” dated 16 December 2021, the HKTDC Export Index (the “**Index**”) rose from 36.2 in the fourth quarter of 2021 (“**4Q21**”) to 37.2 in the fourth quarter of 2021 (“**4Q21**”).

The HKTDC reported that, overall, a broad improvement in the economy was evident across all the major industry sectors, with timepieces rose from 33.5 in 4Q20 to 37.5 in 4Q21.

Exporters are similarly cautious with regard to the near-term prospects of Hong Kong’s major markets.

With regard to the Covid-19 outbreak, 87.0% of the exporters maintain that their businesses had been negatively affected, a 20.4 percentage-point increase on the previous quarter. Soaring transportation costs (60.2%) and disruptions to logistics/distribution (53.2%) are cited as the two major related problems.

As for the negative impacts of the high transportation costs, 71.3% of the exporters reported delays in delivery, while 39.8% experienced disrupted production schedules.

Looking to the coming quarter, many exporters (62.4%) expect that logistics costs will continue to increase, with a significant number (39.8%) anticipating a rise of 10–30%.

With a number of COVID-19 vaccines now being successfully rolled out in many countries, hopes of a further recovery are high among exporters. Accordingly, for 4Q21, the HKTDC Export Index recorded an increase of 1 point, rose from 36.2 in 4Q20 to 37.2 in 4Q21. Given the sustained nature of the upturn, it is expected that the overall export performance of Hong Kong will return to continuous growth in the near future.

OUTLOOK AND FUTURE PROSPECTS

In 2022, the global situation will be complex and changeable. The impact of the COVID-19 pandemic and geopolitical and military conflicts will be a major factor of uncertainty.

Following its weakest economic performance since the global financial crisis, the world economy is poised for a modest rebound in 2022. Market sentiment has been boosted by tentative signs: intermittent favourable news on the US-PRC trade negotiations and central banks' shifting toward accommodative monetary policy.

The outbreak of the novel coronavirus (COVID-19) pandemic is casting an adverse impact to the world with social and economic activities mostly halted in the seriously affected countries and territories. Although most international trade fairs have been cancelled or postponed due to the COVID-19 pandemic, we can continue reaching out to overseas buyers via online fairs and platforms.

It must be emphasized that the growth will be gradual and will depend to a large extent on how the global economy performs and whether the COVID-19 situation is under control. Given the improved growth outlook for key external economies, as well as a further easing of global and domestic public health measures with the availability of vaccines, the watch market is expected to return to growth in 2022.

We intend to continue to focus on the core business, take efforts in strengthening our product design and developing capability to maximise the long term returns of the shareholders of the Company.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately HK\$65.16 million or approximately 46.76% from approximately HK\$139.34 million for the year ended 31 December 2020 to approximately HK\$204.50 million for the year ended 31 December 2021. The increase was mainly due to the availability of vaccines in January 2021, and the decrease in the number of infections in some Asian countries. Hence, the demand for our products has gradually increased.

Cost of sales

Our cost of sales increased by approximately HK\$41.46 million or 39.04% from approximately HK\$106.19 million for the year ended 31 December 2020 to approximately HK\$147.65 million for the year ended 31 December 2021. The increase in cost of sales was mainly due to the increase in revenue.

Gross profit and gross profit margin

As a result of the increase in revenue, our gross profit increased by approximately HK\$23.70 million or approximately 71.51% from approximately HK\$33.14 million for the year ended 31 December 2020 to approximately HK\$56.84 million for the year ended 31 December 2021.

Selling and distribution expenses

Our selling and distribution expenses increased by approximately HK\$0.24 million or approximately 5.52% from approximately HK\$4.35 million for the year ended 31 December 2020 to approximately HK\$4.59 million for the year ended 31 December 2021.

Administrative expenses

Our administrative expenses increased by approximately HK\$4.60 million or approximately 9.62% from approximately HK\$47.84 million for the year ended 31 December 2020 to approximately HK\$52.44 million for the year ended 31 December 2021. The increase was primarily due to (i) the increase in staff cost as a result of, among others, of an increase in salaries and distribution of bonus to staff; (ii) the increase in the Group's charitable donation. and (iii) the increase in advertisement and promotion.

Finance costs

Our finance costs increased by approximately HK\$0.15 million or approximately 3% from approximately HK\$5.00 million for the year ended 31 December 2020 to approximately HK\$5.15 million for the year ended 31 December 2021. The increase was mainly due to the Group obtaining more bank facilities to maintain its normal operation during the business down turn cycle.

Loss before taxation

We recorded a decrease in a loss before taxation of approximately HK\$2.86 million for the year ended 31 December 2021 as compared to the loss before taxation of approximately HK\$26.19 million for the year ended 31 December 2020.

Taxation

Our income tax expenses decreased by approximately HK\$17,000 or approximately 77.27% from approximately HK\$22,000 for the year ended 31 December 2020 to approximately HK\$5,000 for the year ended 31 December 2021. The decrease was mainly due to the Group have tax losses used to set-off the assessable profits of a Hong Kong subsidiary.

Loss for the year

As a result of the foregoing, we recorded a loss for the year of approximately HK\$2.87 million for the year ended 31 December 2021 as compared to approximately HK\$26.21 million for the year ended 31 December 2020.

CAPITAL STRUCTURE

References are made to the announcements of the Company dated 20 October 2021 and 17 November 2021 (the “**Announcements**”) and the circular of the Company dated 1 November 2021 (the “**Circular**”) regarding a share consolidation on the basis of every ten (10) issued and unissued shares of par value of HK\$0.01 each into one (1) consolidated share of par value of HK\$0.10 each (the “**Share Consolidation**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements and the Circular.

The resolution which approved the Share Consolidation was duly passed by the Shareholders by way of poll as an ordinary resolution at the extraordinary general meeting held on 17 November 2021 and became effective from 19 November 2021.

After the Share Consolidation which became effective on 19 November 2021 and before the Rights Issue which became effective on 28 February 2022 (Please refer to the paragraph headed “Subsequent Events” on page 19 of this announcement for details), the number of authorized shares amounted to 1,000,000,000 of HK\$0.1 per Share and the issued share capital amounted HK\$100,000,000.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group had cash and cash equivalents of approximately HK\$13.05 million (2020: HK\$17.85 million). The current ratios (current asset divided by current liabilities) of the Group were 0.87 times and 1.07 times as at 31 December 2021 and 31 December 2020 respectively.

The Directors are of the view that at the date of this announcement, the Group’s financial resources are sufficient to support its business and operations.

As at 31 December 2021, the gearing ratio of the Group calculated by calculated by total bank borrowings less pledged bank deposits and cash and bank balances as a percentage of total equity was approximately 226.77%. (2020: 180.47%)

COMMITMENTS

As at 31 December 2021, the Group had no capital commitments.

CHARGE OVER GROUP'S ASSETS

At the end of the FY2021, the following assets were pledged to bank to secure the Group's banking facilities:

	<i>HK\$'000</i>
Property, plant and equipment	21,804
Financial assets at fair value through profit or loss	18,097
Investment properties	11,223
Pledged bank deposits	46,887
	<hr/>
	98,011
	<hr/> <hr/>

FOREIGN EXCHANGE EXPOSURE

The Group's purchases are denominated in Hong Kong Dollars. The sales of the Group are predominantly in US Dollars, Renminbi and Hong Kong Dollars. The Group will continue to review and monitor from time to time the risk relating to foreign exchanges.

During the FY2021, the Group neither took part in any derivatives activities nor entered into any hedging activities in respect of foreign exchange risk.

CONTINGENT LIABILITIES

The Group had no material contingent liabilities as at 31 December 2021 (2020: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2021, we had a total of 119 employees (2020: 112). The Company determines employee salaries based on each employee's qualifications, position and seniority. Our Group has established an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

The emoluments of the Directors are decided by the Board after receiving the recommendation from the Remuneration Committee of the Company, having considered the factors such as the Group's financial performance, the achievement of special targets and the individual performance of the Directors, etc.

The Company has adopted a share option scheme as an incentive to Directors and eligible employees.

SUBSEQUENT EVENTS

Reference are made to the prospectus of the Company dated 27 January 2022 (the "**Prospectus**") and the announcements of the Company dated 24 December 2021, 22 February 2022 and 4 March 2022 (the "**Announcements**") in relation to a Rights Issue on the basis of one (1) Rights Share for every two (2) Shares held on the Record Date at the Subscription Price of HK\$0.22 per Rights Share. Unless otherwise specified, capitalised terms used herein shall have the same meanings as those defined in the Prospectus.

As disclosed in the announcement of the Company dated 4 March 2022, as at 4:00 p.m. on Tuesday, 15 February 2022, being the Latest Time for Acceptance, the Company had received eleven (11) valid acceptances for a total of 39,598,856 Rights Shares provisionally allotted under the Rights Issue at an issue price of HK\$0.22 per Share (22.81% discount to the closing market price of HK\$0.285 of the immediately preceding business day), representing approximately 79.20% of the total number of Rights Shares offered under the Rights Issue. As at the Record Date, there was no Non-Qualifying Shareholder and therefore there was no NQS Unsold Rights Share. Accordingly, the Rights Issue was approximately 79.20% subscribed, and the remaining 10,401,144 Unsubscribed Rights Shares, representing approximately 20.80% of the total number of Rights Shares offered under the Rights Issue, were subject to the Compensatory Arrangements.

The Board announced that, as at 4:00 p.m. on Friday, 25 February 2022, being the latest time of placing of the Unsubscribed Rights Shares by the Placing Agent, all the 10,401,144 Unsubscribed Rights Shares were successfully placed at the price of HK\$0.22 per Share, which is equal to the Subscription Price, under the Placing. Accordingly, there is no Net Gain available to be distributed to the No Action Shareholders under the Compensatory Arrangements.

To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, (i) each of the placees and where appropriate, their respective ultimate beneficial owner(s), is independent of and not connected with the Company and its connected persons and not a connected person of the Company; and (ii) none of the placees has become a substantial shareholder (as defined under the GEM Listing Rules) of the Company upon completion of the Placing.

As all the conditions with respect to the Rights Issue as set out in the Prospectus have been fulfilled, the Rights Issue became unconditional at 4:00 p.m. on Monday, 28 February 2022.

The Rights Shares have a nominal value of HK\$5,000,000 and a market value of HK\$14,250,000, based on the closing price of HK\$0.285 per Share on 24 December 2021, being the last trading day prior to the Rights Issue .

The net price per Rights Share was approximately HK\$0.20.

The gross proceeds raised from the Rights Issue (including the Compensatory Arrangements) is HK\$11 million and the net proceeds from the Rights Issue after deducting the expenses is approximately HK\$10 million. The Company intends to apply the net proceeds from the Rights Issue as to (i) approximately HK\$7 million for the repayment of bank loans and borrowings of the Group; and (ii) approximately HK\$3 million for general working capital of the Group, as disclosed in the Prospectus.

After the Rights Issue and as at the date of this announcement, the number of authorized shares amounted to 1,500,000,000 of HK\$0.1 per Share and the issued share capital amounted HK\$150,000,000.00.

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

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the FY2021.

SIGNIFICANT INVESTMENT HELD, MATERIAL ACQUISITIONS OR DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this announcement, there was no significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures by the Company for the FY2021.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this announcement, the Group did not have other plans for material investments or capital assets for the coming year.

SHARE OPTION SCHEME

The Company has a share option scheme (the “**Share Option Scheme**”) which was approved and adopted by the shareholders of the Company (the “**Shareholder(s)**”) by way of written resolutions passed on 20 June 2018. The Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date it was adopted. The purpose of the Share Option Scheme is to provide incentives or rewards to participants for their contribution to our Group and/or to enable our Group to recruit and retain high-calibre employees and attract human resources that are valuable to our Group and any entity in which our Group holds any equity interest (“**Invested Entity**”).

Eligible participants of the Share Option Scheme include (a) any employee (whether full time or part time, including any executive Director) of the Company, any of its subsidiaries and any Invested Entity; (b) any Non-executive Director (including Independent Non-executive Directors) of our Company, any of its subsidiaries or any Invested Entity; (c) any supplier of goods or services to any member of our Group or any Invested Entity; (d) any customer of our Group or any Invested Entity; (e) any person or entity that provides research, development or other technological support to our Group or any Invested Entity; (f) any shareholder of any member of our Group or any Invested Entity or any holder of any securities issued by any member of our Group or any Invested Entity; (g) any adviser (professional or otherwise) or consultant to any area of business or business development of our Group or any Invested Entity; and (h) any other group or classes of participants who have contributed or may contribute, by way of joint venture, business alliance, other business arrangement or otherwise, to the development and growth of our Group.

Ordinary shares of the Company (“**Share(s)**”) may be allotted and issued upon the exercise of the options granted under the Share Option Scheme. The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue at any time. The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company (or the subsidiaries) from time to time.

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option scheme of the Group (including both exercised, cancelled or outstanding options) to each participant in any 12-month period shall not exceed 1% of Share in issue for the time being. Any further grant of options in excess of such limit in any 12-month period up to and including the date of such further grant shall be subject to Shareholders' approval in general meeting of the Company with such participant and his/her close associates (or his associates if such Participant is a connected person) abstaining from voting. An offer of the grant of an option under the Share Option Scheme may be accepted within 21 days from the date of grant together with a remittance of HK\$1.00 by way of consideration for the grant thereof. An option may be exercised during such period as the Board may in its absolute discretion determine, save that such period shall not be more than 10 years from the date of grant. Unless the Directors otherwise determine and state in the offer to a grantee, a grantee is not required to hold an option for any minimum period nor achieve any performance targets before any options granted under the Share Option Scheme can be exercised. The subscription price for the Shares on the exercise of the option shall be determined at the discretion of the Board which shall not be less than the higher of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the grant of the option, which must be a trading day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheet for the five trading days immediately preceding the date of the grant of the option; and (iii) the nominal value of the Share.

No share option has been granted by the Company pursuant to the Share Option Scheme since its adoption.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the Controlling Shareholder (as defined in the GEM Listing Rules) and/or their respective associates (as defined under the GEM Listing Rules) that competed or might compete with the business of the Group and any other conflict of interest which any such person had or might have with the Group during the FY2021.

NON-COMPETITION UNDERTAKING

Each of the controlling Shareholders has made an annual declaration to the Company that during the FY2021, he/she/it has complied with the terms of non-competition undertakings ("**Non-Competition Undertakings**") given in favour of the Company. The Independent Non-executive Directors have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the Independent Non-executive Directors can ascertain, there is no breach of any of such undertaking.

INTEREST OF COMPLIANCE ADVISER

As at 31 December 2021, except for the compliance adviser agreement entered into between the Company and TC Capital International Limited (“**TC Capital**”) dated 23 February 2018 (“**Compliance Adviser Agreement**”), neither TC Capital nor any of its directors, employees or close associates had any interest in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) pursuant to Rule 6A.32 of the GEM Listing Rules.

The Compliance Adviser Agreement was terminated on 31 March 2021.

DIVIDEND

The Board does not recommend the payment of a final dividend for the FY2021 (2020: Nil).

CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the “**CG Code**”) contained in Appendix 15 to the GEM Listing Rules during the year ended 31 December 2021, except for the deviation as specified and explained below with considered reasons for such deviations.

Provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cheuk Sin Cheong Clement is currently the chairman of our Board and the chief executive officer of our Company. In view of the fact that Mr. Cheuk has been assuming day-to-day responsibilities in operating and managing our Group since 1986 and the rapid development of our Group, the Board believes that with the support of Mr. Cheuk’s extensive experience and knowledge in the business of the Group, vesting both roles in Mr. Cheuk strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision which is in the best interest to our Group.

The Directors consider that the deviation from provision C.2.1 of the CG Code is appropriate in such circumstances. Notwithstanding the above, the Board is of the view that this management structure is effective for our Group’s operations, and sufficient checks and balances are in place.

Except for code provision C.2.1 of the CG Code, our Company’s corporate governance practices have complied with the CG Code during the year ended 31 December 2021.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Having made specific enquiry, the Company confirms that the Directors complied with required standard of dealings and its code of conduct regarding securities transactions by Directors during the year ended 31 December 2021.

ANNUAL GENERAL MEETING (“AGM”)

The 2022 AGM of the Company will be held on Friday, 17 June 2022. The notice of the 2022 AGM will be published and distributed to the Shareholders in the manner as required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of Shareholders to the right to attend and vote at the 2022 AGM (or any adjournment thereof), the register of members of the Company will be closed from Monday, 13 June 2022 to Friday, 17 June 2022, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong, for registration no later than 4:30 p.m. on Thursday, 16 June 2022.

REVIEW OF UNAUDITED ANNUAL RESULTS

Due to the impact of the COVID-19 coronavirus outbreak, the work of the Company’s Auditor has been disrupted and has not completed the auditing process for the annual results for the FY2021. In order to keep the Shareholders and potential investors informed of the business operation and financial position of the Group, after discussion with the Auditor, the Board decided to publish an unaudited annual results announcement of the Company for the FY2021 together with the audited comparative figures for the corresponding period in 2020 on the planned date of announcement first. An announcement relating to the audited results will be made when the auditing process has been completed in accordance with Hong Kong Standards on Auditing issued by Hong Kong Institute of Certified Public Accountants.

The unaudited annual results contained herein have been reviewed by the Audit Committee.

FURTHER ANNOUNCEMENT(S)

Upon completion of the auditing process, the Company will issue further announcement(s) in relation to the audited results for the FY2021 as agreed by the Group's external Auditor, HLB Hodgson Impey Cheng Limited, and the material differences as compared with the unaudited annual results contained herein, if any. In addition, the Company will issue further announcement(s) as and when necessary if there are other material development in the completion of the auditing process, which is expected to be completed on or around 29 April 2022.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The unaudited annual results announcement of the Company is published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.hanveygroup.com.hk). The annual report of the Company for the FY2021 containing all the relevant information required by the GEM Listing Rules will be dispatched to the Shareholders on the websites of the Stock Exchange and the Company in due course.

The financial information contained herein in respect of the annual results of the Group have not been audited and have not been agreed with the Group's external auditors. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

By order of the Board
Hanvey Group Holdings Limited
Cheuk Sin Cheong Clement
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 25 March 2022

As at the date of this announcement, the Executive Directors are Mr. Cheuk Sin Cheong Clement and Ms. Au Corona Ching Mei M.H. and the Independent Non-executive Directors are Mr. Yu Sau Ning Homer M.H., Mr. Zhao Zhipeng, Ms. Yee Wai Fong Wendy and Dr. Liu Ngai Wing.