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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

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.

The board (the “**Board**”) of directors (the “**Directors**”) of Hanvey Group Holdings Limited (the “**Company**”) is pleased to present the audited annual consolidated financial results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2022, together with the comparative figures for the corresponding period of 2021, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	Year ended 31 December	
		2022 HK\$'000	2021 HK\$'000
Revenue	5	272,555	204,495
Cost of sales		<u>(216,337)</u>	<u>(147,652)</u>
Gross profit		56,218	56,843
Other income and other loss, net	6	2,741	2,471
Selling and distribution expenses		(4,176)	(4,585)
Administrative expenses		(58,547)	(52,477)
Finance costs	7	<u>(6,754)</u>	<u>(5,154)</u>
Loss before tax	8	(10,518)	(2,902)
Income tax (expense) credit	9	<u>(600)</u>	<u>110</u>
Loss for the year		<u>(11,118)</u>	<u>(2,792)</u>
Attributable to:			
Owners of the Company		(10,646)	(2,549)
Non-controlling interests		<u>(472)</u>	<u>(243)</u>
		<u>(11,118)</u>	<u>(2,792)</u>
Other comprehensive (expense) income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating of foreign operations		<u>(6,426)</u>	<u>1,940</u>
Other comprehensive (expense) income for the year, net of tax		<u>(6,426)</u>	<u>1,940</u>
Total comprehensive expense for the year		<u>(17,544)</u>	<u>(852)</u>
Attributable to:			
Owners of the Company		(17,072)	(609)
Non-controlling interests		<u>(472)</u>	<u>(243)</u>
		<u>(17,544)</u>	<u>(852)</u>
Loss per share attributable to equity owners of the Company			
Basic and diluted (<i>HK cents</i>)	10	<u>(7.13)</u>	<u>(2.09)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

		As at 31 December	
		2022	2021
	Notes	HK\$'000	HK\$'000
Non-current assets			
Property, plant and equipment		62,191	67,984
Right-of-use assets		1,721	3,927
Investment properties		11,573	11,223
Financial assets at fair value through profit or loss		460	440
		<u>75,945</u>	<u>83,574</u>
Current assets			
Inventories		43,899	28,594
Trade receivables	11	22,284	21,304
Other receivables, deposits and prepayments		8,807	9,491
Financial assets at fair value through profit or loss		23,059	18,243
Pledged bank deposits		57,049	46,887
Cash and bank balances		14,616	13,046
		<u>169,714</u>	<u>137,565</u>
Current liabilities			
Bank overdrafts		2,559	3,298
Trade and bills payables	12	93,679	60,638
Other payables and accrued expenses		4,884	5,364
Contract liabilities		1,634	1,985
Borrowings		47,000	86,016
Tax payable		257	65
Lease liabilities		865	1,548
		<u>150,878</u>	<u>158,914</u>
Net current assets (liabilities)		<u>18,836</u>	<u>(21,349)</u>
Total assets less current liabilities		<u>94,781</u>	<u>62,225</u>

		As at 31 December	
		2022	2021
	<i>Note</i>	HK\$'000	HK\$'000
Non-current liabilities			
Borrowings		55,315	21,508
Lease liabilities		804	1,747
		<u>56,119</u>	<u>23,255</u>
Net assets		<u>38,662</u>	<u>38,970</u>
Capital and reserves			
Share capital	13	16,500	10,000
Reserves		22,877	29,213
		<u>39,377</u>	<u>39,213</u>
Equity attributable to owners of the Company		39,377	39,213
Non-controlling interests		(715)	(243)
		<u>38,662</u>	<u>38,970</u>
Total equity		<u>38,662</u>	<u>38,970</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Share capital	Share premium	Exchange reserves <i>(Note (a))</i>	Other reserve <i>(Note (b))</i>	Accumulated losses	Subtotal	Non- controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021	10,000	42,344	3,001	1,000	(16,523)	39,822	-	39,822
Loss for the year	-	-	-	-	(2,549)	(2,549)	(243)	(2,792)
Other comprehensive income for the year	-	-	1,940	-	-	1,940	-	1,940
Total comprehensive income (expense) for the year	-	-	1,940	-	(2,549)	(609)	(243)	(852)
At 31 December 2021 and 1 January 2022	10,000	42,344	4,941	1,000	(19,072)	39,213	(243)	38,970
Loss for the year	-	-	-	-	(10,646)	(10,646)	(472)	(11,118)
Other comprehensive expense for the year	-	-	(6,426)	-	-	(6,426)	-	(6,426)
Total comprehensive expense for the year	-	-	(6,426)	-	(10,646)	(17,072)	(472)	(17,544)
Issue of shares by right issue	5,000	6,000	-	-	-	11,000	-	11,000
Issue of shares by placement	1,500	6,000	-	-	-	7,500	-	7,500
Share issue expenses	-	(1,264)	-	-	-	(1,264)	-	(1,264)
At 31 December 2022	16,500	53,080	(1,485)	1,000	(29,718)	39,377	(715)	38,662

Notes:

- (a) The exchange reserves comprise 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 CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

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 Act, Cap.22 (Act 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 statements are 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 Group’s annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKFRS 16	COVID-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020

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/or on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue 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 ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹

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

² Effective date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

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

3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period.

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. The segmentations are based on the information about the operation of the Group that management uses to make decisions and regularly reviewed by the CODMs of the purpose of allocating resources to segments and assessing their performance. For the years ended 31 December 2022 and 2021, the Group has only one operating segment in Original Design Manufacturer (“**ODM**”). Accordingly, no segment result, assets and liabilities are presented.

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	
	2022	2021
	HK\$'000	HK\$'000
Indonesia	156,686	131,232
Hong Kong	34,798	13,042
Brazil	18,195	18,794
India	34,519	14,159
Kingdom of Saudi Arabia	1,726	3,982
Australia	7,121	6,015
UAE	2,058	1,207
Turkey	4,490	2,962
Others (Note)	12,962	13,102
	<u>272,555</u>	<u>204,495</u>

Note: Other geographical locations are mainly located in Germany, Thailand, United Kingdom, Switzerland, Bangladesh and the People's Republic of China (the "PRC").

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	
	2022	2021
	HK\$'000	HK\$'000
Hong Kong	38,148	39,392
PRC	37,337	43,742
	<u>75,485</u>	<u>83,134</u>

* Non-current assets exclude financial asset at fair value through profit or loss ("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	
	2022	2021
	HK\$'000	HK\$'000
Customer A	156,686	131,232
Customer B	34,519	14,159*
	<u>191,205</u>	<u>145,391</u>

* Less than 10% of revenue in 2021.

5. REVENUE

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Finished watches	220,579	129,652
SKD kits	46,420	34,693
Watch parts	5,556	40,150
	<u>272,555</u>	<u>204,495</u>
Revenue recognised at a point in time	<u><u>272,555</u></u>	<u><u>204,495</u></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 contracts is not disclosed.

6. OTHER INCOME AND OTHER LOSS, NET

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Interest income	463	587
Rental income	360	335
Exchange gain (loss), net	1,781	(300)
Government grants (<i>Note</i>)	868	1,246
Sundry income	18	51
Net realised loss on disposals of financial assets at FVTPL	(644)	–
Net gain arising from change in fair value of investment properties	350	475
Net (loss) gain arising from change in fair value of financial assets at FVTPL	(455)	77
	<u>2,741</u>	<u>2,471</u>
	<u><u>2,741</u></u>	<u><u>2,471</u></u>

Note: During the year, the Group recognised government grants of approximately HK\$483,000 in respect of COVID-19 related subsidies which is related to Employment Support Scheme provided by the Hong Kong government (2021: approximately HK\$750,000 in respect of development branding which is related to Enterprise Support Scheme provided by the Hong Kong government) and approximately HK\$385,000 (2021: approximately HK\$496,000) received from the PRC government in respect of COVID-19 related subsidies.

7. FINANCE COSTS

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Interest expenses on:		
Borrowings	6,569	4,910
Lease liabilities	137	196
Bank overdrafts	48	48
	<u>6,754</u>	<u>5,154</u>
	<u><u>6,754</u></u>	<u><u>5,154</u></u>

8. LOSS BEFORE TAX

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

	Year ended 31 December	
	2022	2021
	HK\$'000	HK\$'000
Directors' emoluments	9,103	7,318
Staff costs (excluded directors' emoluments)	12,346	12,065
Bonus	1,674	1,271
Retirement benefit scheme contributions	1,658	1,493
	<hr/>	<hr/>
Total staff costs	15,678	14,829
	<hr/>	<hr/>
	24,781	22,147
	<hr/>	<hr/>
Auditors' remuneration	570	860
Cost of inventories recognised as expenses	216,057	143,045
Depreciation of right-of-use assets	1,410	1,757
Depreciation of property, plant and equipment	5,916	5,302
Write-down of inventories (<i>Note</i>)	–	620
Commission paid	912	727
Expenses relating to short-term leases	24	–
Provision for (reversal of) expected credit loss (“ECL”) on trade receivables	1,106	(221)
	<hr/> <hr/>	<hr/> <hr/>

Note: Write-down of inventories were included in cost of sales.

9. INCOME TAX (EXPENSE) CREDIT

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.

Under the two-tiered profits tax rates regime in Hong Kong, 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 2022 and 2021.

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	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Tax charge (credit) comprises:		
Current tax		
Hong Kong Profits Tax		
– Charge for the year	455	–
– Under (over)-provision in prior years	89	(115)
PRC Enterprise income tax		
– Charge for the year	56	–
	<u>600</u>	<u>(115)</u>
Deferred tax	–	5
	<u>600</u>	<u>(110)</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.

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss		
Loss attributable to owners of the Company	<u>(10,646)</u>	<u>(2,549)</u>
Number of shares (thousands)		
Weighted average number of ordinary shares for calculating basic and diluted loss per share	<u>149,307</u>	<u>121,951</u>

For the years ended 31 December 2022 and 2021, diluted loss per share is 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 2022 and 2021.

11. TRADE RECEIVABLES

	As at 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade receivables	23,496	21,410
Less: provision for ECL	<u>(1,212)</u>	<u>(106)</u>
	<u>22,284</u>	<u>21,304</u>

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

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
0 to 30 days	17,845	15,478
31 to 60 days	895	4,360
61 to 90 days	269	647
Over 90 days	3,275	819
	<u>22,284</u>	<u>21,304</u>

12. TRADE AND BILLS PAYABLES

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
Trade payables	39,258	26,624
Bills payables	54,421	34,014
	<u>93,679</u>	<u>60,638</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 ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December	
	2022	2021
	HK\$'000	HK\$'000
0 to 30 days	6,482	6,181
31 to 60 days	10,561	10,497
61 to 90 days	9,351	7,753
91 to 120 days	11,662	1,742
Over 120 days	1,202	451
	<u>39,258</u>	<u>26,624</u>

Bills payables are all matured within 30 to 120 days. The following is an ageing analysis of bills payables presented based on the date of bills at the end of each reporting period:

	As at 31 December	
	2022 HK\$'000	2021 HK\$'000
0 to 30 days	7,627	12,483
31 to 60 days	23,051	6,702
61 to 90 days	12,812	12,333
91 to 120 days	10,931	2,496
	54,421	34,014
	54,421	34,014

13. SHARE CAPITAL

Movements of the share capital of the Company are as follows:

	Number of shares '000	Nominal value HK\$'000
Authorised		
At 1 January 2021, ordinary shares of HK\$0.01 each	10,000,000	100,000
Effect of share consolidation (<i>Note a</i>)	(9,000,000)	–
	1,000,000	100,000
At 31 December 2021, 1 January 2022 and 31 December 2022, ordinary shares of HK\$0.1 each	1,000,000	100,000
Issued and fully paid		
At 1 January 2021, ordinary shares of HK\$0.01 each	1,000,000	10,000
Effect of share consolidation (<i>Note a</i>)	(900,000)	–
	100,000	10,000
At 31 December 2021 and 1 January 2022, ordinary shares of HK\$0.1 each	100,000	10,000
Issue of shares by right issue (<i>Note b</i>)	50,000	5,000
Issue of shares by placement (<i>Note c</i>)	15,000	1,500
	165,000	16,500
At 31 December 2022, ordinary shares of HK\$0.1 each	165,000	16,500

Notes:

- (a) On 19 November 2021, the share consolidation on the basis of every ten issued and unissued existing shares be consolidated into one consolidated share of HK\$0.1 each.
- (b) On 7 March 2022, 50,000,000 ordinary shares were issued by the Company under the right issue on the basis of one rights share for every two shares at the subscription price of HK\$0.22 per rights share, giving gross proceeds of HK\$11,000,000.
- (c) On 29 July 2022, 15,000,000 ordinary shares were issued by the Company pursuant to a placing agreement dated 13 July 2022 at a placing price of HK\$0.5 per share, giving gross proceeds of HK\$7,500,000.

14. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

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 global.

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

For the year ended 31 December 2022, the Group’s revenue amounted to approximately HK\$272.56 million, increased by approximately 33.28% when compared with that for the corresponding period of 2021.

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 4Q22: Local Exporter Confidence Falters in Face of Global Economic Slowdown” dated 15 December 2022, the HKTDC Export Index (the “**Index**”) fell from 37.2 in the fourth quarter of 2021 (“**4Q21**”) to 29.7 in the fourth quarter of 2022 (“**4Q22**”).

The HKTDC reported that, overall, a downturn in the economy is evident across all the major industry sectors, with timepieces falling from 37.5 in 4Q21 to 36.8 in 4Q22. This suggests that exporters see continued downward pressure on prices.

In addition to the continued negative impact from the COVID-19 pandemic (the “**Pandemic**”), increased transportation costs and logistics disruptions remain the primary challenges, although the number of adversely affected cases is notably down. Following the lifting of quarantine measures for arrivals in Hong Kong as of September 2022, the problem of communicating with overseas buyers/suppliers become less of a concern in 4Q22.

Looking ahead, the risks of an economic slowdown and recession in many of the major markets has become the primary concern of the exporters.

FINANCIAL REVIEW

Revenue

The revenue of the Group increased by approximately HK\$68.06 million or approximately 33.28% from approximately HK\$204.50 million for the year ended 31 December 2021 to approximately HK\$272.56 million for the year ended 31 December 2022. The increase was mainly due to the availability of vaccines in January 2022, 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\$68.69 million or 46.52% from approximately HK\$147.65 million for the year ended 31 December 2021 to approximately HK\$216.34 million for the year ended 31 December 2022. 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 decline in the gross profit of the Group due to the increase in the cost of sales, which the Group is unable to pass on to the customers due to the increased competition in the market, especially during the Pandemic, our gross profit decreased by approximately HK\$0.62 million or approximately 1.09% from approximately HK\$56.84 million for the year ended 31 December 2021 to approximately HK\$56.22 million for the year ended 31 December 2022.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately HK\$0.41 million or approximately 8.93% from approximately HK\$4.59 million for the year ended 31 December 2021 to approximately HK\$4.18 million for the year ended 31 December 2022.

Administrative expenses

Our administrative expenses increased by approximately HK\$6.07 million or approximately 11.57% from approximately HK\$52.48 million for the year ended 31 December 2021 to approximately HK\$58.55 million for the year ended 31 December 2022. 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 provision of expected credit loss on account receivables; and (iii) the increase in the Group's charitable donation.

Finance costs

Our finance costs increased by approximately HK\$1.60 million or approximately 31.07% from approximately HK\$5.15 million for the year ended 31 December 2021 to approximately HK\$6.75 million for the year ended 31 December 2022. The increase was mainly due to the rise in bank interest rates.

Loss before tax

We recorded an increase in a loss before tax of approximately HK\$10.52 million for the year ended 31 December 2022 as compared to the loss before tax of approximately HK\$2.90 million for the year ended 31 December 2021.

Taxation

Our income tax expenses increased by approximately HK\$0.71 million or approximately 645.45% from income tax credit approximately HK\$0.11 million for the year ended 31 December 2021 approximately to income tax expense HK\$0.60 million for the year ended 31 December 2022. The increase was mainly due to the increase in taxable profit 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\$11.12 million for the year ended 31 December 2022 as compared to approximately HK\$2.79 million for the year ended 31 December 2021.

OUTLOOK AND FUTURE PROSPECTS

Looking ahead, the business environment in overseas markets remains uncertain but opportunities always come along with challenges. Although the widespread of the Pandemic has badly hit the economic activities in China, with the full relaxation of pandemic control policies by the PRC Government during the end of 2022, the constrained social and economic activities will be released to boost the economic market.

The equity market is likely to remain volatile because of the US Federal Reserve continues to raise interest rates, and the cost of capital has risen, which has caused unprecedented difficulties in business operations. Taking into consideration the challenges faced by the Group, the Group will closely observe the market.

For overseas markets, economic growth in Europe and the United States is projected to slow down due to the negative market outlook under high inflation and the Russia-Ukraine war. However, in the Southeast Asian market that we focus on, there is still a huge market demand of automatic mechanical watch and quartz watch. The Group will closely observe the market trend and provide designs that suit the customers and market needs.

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.

CAPITAL STRUCTURE

There has been no change in the Company's capital structure for the year ended 31 December 2022. The capital structure of the Group comprises of issued share capital and reserves. The Directors review the Group's capital structure regularly.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group had cash and cash equivalents of approximately HK\$14.62 million (2021: HK\$13.05 million). The current ratios (current asset divided by current liabilities) of the Group were 1.12 times and 0.87 times as at 31 December 2022 and 31 December 2021 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 2022, the gearing ratio of the Group calculated by total borrowings (including bills payables, bank overdrafts, bank borrowings and lease liabilities) less pledged bank deposits and cash and bank balances as a percentage of total equity was approximately 230.97%. (2021: 226.32%).

COMMITMENTS

As at 31 December 2022, the Group had no capital commitments.

PLEDGE OF ASSETS

As at 31 December 2022, the following assets were pledged to bank to secure the Group's banking facilities:

	<i>HK\$'000</i>
Property, plant and equipment	49,850
Financial assets at fair value through profit or loss	18,408
Investment properties	11,573
Pledged bank deposits	<u>57,049</u>
	<u><u>136,880</u></u>

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 year ended 31 December 2022, 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 2022 (2021: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2022, we had a total of 111 employees (2021: 119). 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 with the recommendation from the Remuneration Committee of the Company, having considered 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

Subsequent to the end of the reporting period, the Group had no significant events occurred.

USE OF PROCEEDS

Details of the Rights Issue are set out in 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. The Company issued and allotted an aggregate of 15,000,000 new ordinary shares to not less than six independent third parties. The net price per Placing Share is estimated to be approximately HK\$0.48. Details of the Placing are set out in the Company’s announcements dated 13 July 2022 and 29 July 2022.

The Group has fully applied the net proceeds from the Rights Issue and Placing, details are as follows:

		Amount utilised up to 31 December 2022	Amount unutilised as at 31 December 2022
	Allocation	2022	2022
	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Repayment of bank loans	12,070	12,070	–
Working capital	5,166	5,166	–
	<hr/>	<hr/>	<hr/>
Total	17,236	17,236	–
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 year ended 31 December 2022.

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**").

Under the Scheme, the Board of Directors of the Company may grant options to eligible employees, including directors of the Company and its subsidiaries, to subscribe for shares in the Company. The total number of shares in respect of which options may be granted under the Scheme is not permitted to exceed 10% of the shares in issue at any point in time, without prior approval from the Company's shareholders. The Company may not grant any options if the number of shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and other schemes exceeds 30% of the Shares in issue from time to time. Options granted to the substantial shareholders or Independent Non-executive Directors of the Company in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5,000,000 must be approved in advance by the Company's shareholders. The option will be offered for acceptance for a period of not less than five trading days from the date on which the option is granted. Upon acceptance of the option, Directors and eligible employees of the Company shall pay HK\$1.00 to the Company by way of consideration for the grant.

Options may be exercised at any time from the date of grant of the share option to the tenth anniversary of the date of grant. The exercise price is determined by the Board of Directors of the Company, and will not be less than the highest of (i) the nominal value of the Company's share; (ii) the closing price of the Shares on the date of grant; and (iii) the average closing price of the Shares for the five business days immediately preceding the date of grant. No share options have been granted since the adoption of the Scheme on 28 June 2018.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the Controlling Shareholder 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 year ended 31 December 2022.

NON-COMPETITION UNDERTAKING

Each of the Controlling Shareholders (as defined in the GEM Listing Rules) has made an annual declaration to the Company that during the year ended 31 December 2022, 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.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2022 (2021: 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 2022, 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 officer should be separate and should not be performed by the same individual. Mr. Cheuk Sin Cheong Clement is currently both the Chairman of our Board and the Chief Executive Officer of our Company. In view of the fact that Mr. Cheuk has been assuming the 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 the roles of both chairman of our Board and chief executive officer of our Company 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 2022.

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 2022.

ANNUAL GENERAL MEETING ("AGM")

The 2023 AGM of the Company will be held on Friday, 16 June 2023. The notice of the AGM will be published and distributed to the shareholders of the Company 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 of the Company to the right to attend and vote at the AGM (or any adjournment thereof), the register of members of the Company will be closed from Monday, 12 June 2023 to Friday, 16 June 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, for registration no later than 4:30 p.m. on Friday, 9 June 2023.

REVIEW OF FINANCIAL INFORMATION

The financial information has been reviewed by the Audit Committee of the Company, approved by the Board and agreed by the Group's external auditor, Confucius International CPA Limited ("CICPA"), to the amounts set out in the audited financial statements.

SCOPE OF WORK OF THE INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the related notes thereto for the year ended 31 December 2022 as set out in this announcement have been agreed by the Group's auditor, CICPA to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CICPA in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by CICPA on this annual results announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 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 financial year ended 31 December 2022 containing all the relevant information required by the GEM Listing Rules will be dispatched to the shareholders of the Company and posted on the websites of the Stock Exchange and the Company in due course.

By order of the Board

HANVEY GROUP HOLDINGS LIMITED

Cheuk Sin Cheong Clement

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 24 March 2023

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.

This announcement will remain on the "Latest Listed Company Information" page of the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk for at least 7 days from the date of its publication and on the website of the Company at www.hanveygroup.com.hk.