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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 2023**

### **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 2023, together with the comparative figures for the corresponding period of 2022, as follows:

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

For the year ended 31 December 2023

	Notes	Year ended 31 December	
		2023 HK\$'000	2022 HK\$'000
Revenue	5	185,667	272,555
Cost of sales		<u>(142,352)</u>	<u>(216,337)</u>
Gross profit		43,315	56,218
Other income and other gain (loss), net	6	(254)	1,635
Selling and distribution expenses		(4,080)	(4,176)
Administrative expenses		(48,595)	(57,441)
Finance costs	7	<u>(9,124)</u>	<u>(6,754)</u>
<b>Loss before tax</b>	8	<b>(18,738)</b>	<b>(10,518)</b>
Income tax expense	9	<u>(1,194)</u>	<u>(600)</u>
<b>Loss for the year</b>		<b><u>(19,932)</u></b>	<b><u>(11,118)</u></b>
<b>Attributable to:</b>			
Owners of the Company		(19,764)	(10,646)
Non-controlling interests		<u>(168)</u>	<u>(472)</u>
		<b><u>(19,932)</u></b>	<b><u>(11,118)</u></b>
<b>Other comprehensive expense</b>			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(932)</u>	<u>(6,426)</u>
Other comprehensive expense for the year, net of tax		<u>(932)</u>	<u>(6,426)</u>
<b>Total comprehensive expense for the year</b>		<b><u>(20,864)</u></b>	<b><u>(17,544)</u></b>
<b>Attributable to:</b>			
Owners of the Company		(20,696)	(17,072)
Non-controlling interests		<u>(168)</u>	<u>(472)</u>
		<b><u>(20,864)</u></b>	<b><u>(17,544)</u></b>
<b>Loss per share attributable to owners of the Company</b>			
Basic and diluted ( <i>HK cents</i> )	10	<b><u>(11.98)</u></b>	<b><u>(7.13)</u></b>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		As at 31 December	
		2023	2022
	Notes	HK\$'000	HK\$'000
<b>Non-current assets</b>			
Property, plant and equipment		55,794	62,191
Right-of-use assets		893	1,721
Investment properties		11,375	11,573
Financial assets at fair value through profit or loss		460	460
		<u>68,522</u>	<u>75,945</u>
<b>Current assets</b>			
Inventories		12,582	43,899
Trade receivables	11	17,599	22,284
Other receivables, deposits and prepayments	12	9,405	8,807
Tax recoverable		242	–
Financial assets at fair value through profit or loss		22,500	23,059
Fixed bank deposits		57,940	57,049
Cash and bank balances		13,804	14,616
		<u>134,072</u>	<u>169,714</u>
<b>Current liabilities</b>			
Bank overdrafts	14	3,738	2,559
Trade and bills payables	13	52,339	93,679
Other payables and accrued expenses		5,957	4,884
Contract liabilities		3,238	1,634
Borrowings	14	62,902	47,000
Loan from a related company		1,800	–
Tax payable		457	257
Lease liabilities		444	865
		<u>130,875</u>	<u>150,878</u>
<b>Net current assets</b>		<u>3,197</u>	<u>18,836</u>
<b>Total assets less current liabilities</b>		<u>71,719</u>	<u>94,781</u>

		<b>As at 31 December</b>	
		<b>2023</b>	2022
	<i>Notes</i>	<b>HK\$'000</b>	<i>HK\$'000</i>
<b>Non-current liabilities</b>			
Borrowings	<i>14</i>	<b>53,579</b>	55,315
Lease liabilities		<b>342</b>	804
		<u><b>53,921</b></u>	<u>56,119</u>
<b>Net assets</b>		<u><b>17,798</b></u>	<u>38,662</u>
<b>Capital and reserves</b>			
Share capital	<i>15</i>	<b>16,500</b>	16,500
Reserves		<b>2,181</b>	22,877
		<u><b>18,681</b></u>	<u>39,377</u>
Equity attributable to owners of the Company		<b>18,681</b>	39,377
Non-controlling interests		<b>(883)</b>	(715)
		<u><b>17,798</b></u>	<u>38,662</u>
<b>Total equity</b>		<u><b>17,798</b></u>	<u>38,662</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

## 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 world.

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 Hong Kong Dollar (“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”)

### New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and 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 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and 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.

## *Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2*

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their “significant” account policies with a requirement to disclose their “material” accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group’s disclosure of accounting policies, but not on the measurement, recognition or presentation of any items in the Group’s financial statements.

### *New guidance on accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong issued by the HKICPA*

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (“**the Amendment Ordinance**”) was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers’ mandatory contributions under the mandatory provident fund (“**MPF**”) to offset severance payments (“**SP**”) and long service payments (“**LSP**”) (“**the Abolition**”). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (“**the Transition Date**”). The following key changes will take effect starting from the Transition Date:

- Accrued benefits derived from employers’ mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.
- The pre-transition LSP/SP is calculated using the last month’s salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer’s MPF contributions and its LSP obligation and the accounting for offsetting mechanism could become material in light of the Abolition, the HKICPA published “Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong” (“**the Guidance**”) in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

- Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee’s LSP benefits in terms of Hong Kong Accounting Standard 19.93(a)
- Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

For the years ended 31 December 2022 and 2023, the Group’s LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism is insignificant. Application of the guidance had no material effect on the consolidated financial statements of the Group.

### Amendments to HKFRSs in issue but not yet effective

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

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>1</sup>
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements <sup>2</sup>
Amendments to HKAS 21	Lack of Exchangeability <sup>3</sup>

<sup>1</sup> Effective date to be determined.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2025.

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

### 3. BASIS OF PREPARATION AND MATERIAL ACCOUNTING POLICY INFORMATION

#### 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 2023 and 2022, 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, India, Brazil, Hong Kong, Australia 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	
	2023 HK\$'000	2022 HK\$'000
Asia	146,148	236,014
Europe	11,426	11,020
Pacific Regions	10,759	7,326
South America	17,334	18,195
	<u>185,667</u>	<u>272,555</u>

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

	As at 31 December	
	2023 HK\$'000	2022 HK\$'000
Hong Kong	34,800	38,148
PRC	33,262	37,337
	<u>68,062</u>	<u>75,485</u>

\* Non-current assets exclude financial assets 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	
	2023 HK\$'000	2022 HK\$'000
Customer A	70,173	156,686
Customer B	48,226	34,519
	<u>118,399</u>	<u>191,205</u>



## 5. REVENUE

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Finished watches	121,699	220,579
SKD kits	58,758	46,420
Watch parts	5,210	5,556
	<u>185,667</u>	<u>272,555</u>
Revenue recognised at a point in time	<u>185,667</u>	<u>272,555</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 GAIN (LOSS), NET

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Exchange (loss) gain, net	(851)	1,781
Government grants ( <i>Note</i> )	552	868
Interest income	1,322	463
Rental income (less outgoing expenses of HK\$Nil (2022: HK\$Nil))	374	360
Reversal of (allowance for) expected credit loss (“ECL”) on trade receivables	271	(1,106)
Net realised loss on disposals of financial assets at FVTPL	(493)	(644)
Net loss arising from change in fair value of financial assets at FVTPL	(481)	(455)
Net (loss) gain arising from change in fair value of investment properties	(198)	350
Sundry income	–	18
Write-off of prepayment for purchases	(750)	–
	<u>(254)</u>	<u>1,635</u>

*Note:* During the year, the Group recognised government subsidies from the PRC local authorities of approximately HK\$552,000 relating to the encouragement of the Group’s business development. In the year 2022, the Group recognised government grants of approximately HK\$483,000 in respect of COVID-19 related subsidies which was related to Employment Support Scheme provided by the Hong Kong government and approximately HK\$385,000 received from the PRC local authorities in respect of COVID-19 related subsidies. There are no unfulfilled conditions or contingencies related to these grants.

## 7. FINANCE COSTS

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Interest expenses on:		
Borrowings	8,986	6,569
Lease liabilities	75	137
Bank overdrafts	63	48
	<u>9,124</u>	<u>6,754</u>

## 8. LOSS BEFORE TAX

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

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Directors' emoluments	8,684	9,103
Staff costs (excluded directors' emoluments)	10,565	12,346
Bonus	1,073	1,674
Retirement benefit scheme contributions	1,596	1,658
Total staff costs	<u>13,234</u>	<u>15,678</u>
	<u>21,918</u>	<u>24,781</u>
Auditor's remuneration	600	570
Cost of inventories recognised as expenses	142,195	216,057
Depreciation of right-of-use assets	804	1,410
Depreciation of property, plant and equipment	5,653	5,916
Write-down of inventories (included in cost of sales)	1,955	–
Write-off of prepayment for purchases	750	–
Commission paid	1,029	912
Expenses relating to short-term leases	40	24
(Reversal of) allowance for ECL on trade receivables	(271)	1,106

## 9. INCOME TAX EXPENSE

Under the two-tiered profits tax rate 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 2023 and 2022.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Regulation on the Implementation of the EIT Law, the tax rate of the Mainland China subsidiaries is 25%. Three subsidiaries (2022: three subsidiaries) of the Company operating in the Mainland China are eligible as High and New Technology Enterprise and the income tax rate of these subsidiaries is 15%.

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Tax charge comprises:		
Current tax		
Hong Kong Profits Tax		
– Charge for the year	104	455
– Under provision in prior years	–	89
	<u>104</u>	<u>544</u>
PRC Enterprise Income Tax		
– Charge for the year	1,079	56
– Under provision in prior years	11	–
	<u>1,090</u>	<u>56</u>
	<u><u>1,194</u></u>	<u><u>600</u></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.

	2023	2022
	HK\$'000	HK\$'000
<b>Loss</b>		
Loss attributable to owners of the Company	<u><u>(19,764)</u></u>	<u><u>(10,646)</u></u>
<b>Number of shares (thousands)</b>		
Weighted average number of ordinary shares for calculating basic and diluted loss per share	<u><u>165,000</u></u>	<u><u>149,307</u></u>

For the years ended 31 December 2023 and 2022, 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 2023 and 2022.

## 11. TRADE RECEIVABLES

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Trade receivables	18,540	23,496
Less: allowance for ECL	(941)	(1,212)
	<u>17,599</u>	<u>22,284</u>

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

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
0 to 30 days	7,198	17,845
31 to 60 days	5,970	895
61 to 90 days	1,415	269
Over 90 days	3,016	3,275
	<u>17,599</u>	<u>22,284</u>

As at 31 December 2023, an amount of approximately HK\$6,311,000 (2022: HK\$5,929,000) included in trade receivables were transferred to banks by discounting on a full recourse basis. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise trade receivables' full carrying amounts at the end of the reporting period and recognise the cash received on the transfer as borrowings. These financial assets are carried at amortised cost in the Group's consolidated statement of financial position.

## 12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December	
	2023	2022
	HK\$'000	HK\$'000
Other receivables	638	590
Deposits	206	67
Prepayments for purchase of raw materials	6,222	4,034
Other prepayments	2,339	4,116
	<u>9,405</u>	<u>8,807</u>

### 13. TRADE AND BILLS PAYABLES

	As at 31 December	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	23,924	39,258
Bills payables	28,415	54,421
	<u>52,339</u>	<u>93,679</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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	3,973	6,482
31 to 60 days	5,419	10,561
61 to 90 days	6,827	9,351
91 to 120 days	2,648	11,662
Over 120 days	5,057	1,202
	<u>23,924</u>	<u>39,258</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	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	8,717	7,627
31 to 60 days	7,909	23,051
61 to 90 days	8,129	12,812
91 to 120 days	3,660	10,931
	<u>28,415</u>	<u>54,421</u>



## 15. SHARE CAPITAL

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

	Number of ordinary shares of HK\$0.1 each '000	Nominal value HK\$'000
<b>Authorised</b>		
At 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	<b>1,000,000</b>	<b>100,000</b>
<b>Issued and fully paid</b>		
At 1 January 2022	100,000	10,000
Issue of shares by right issue ( <i>Note a</i> )	50,000	5,000
Issue of shares by placement ( <i>Note b</i> )	15,000	1,500
At 31 December 2022, 1 January 2023 and 31 December 2023	<b>165,000</b>	<b>16,500</b>

*Notes:*

- (a) On 7 March 2022, 50,000,000 ordinary shares were issued by the Company under the rights 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.
- (b) 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.

## 16. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

## 17. COMPARATIVES

Certain comparative figures have been reclassified to conform to the current year's presentation.

## 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 kits, and (iii) watch parts.

For the year ended 31 December 2023, the Group’s revenue amounted to approximately HK\$185.67 million, decreased by approximately 31.88% when compared with that for the corresponding period of 2022.

## 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 4Q23: Soft Export Sentiment amid Rising Concern of Economic Risk” dated 14 December 2023, the HKTDC Export Index (the “Index”) increase from 29.7 in the fourth quarter of 2022 (“4Q22”) to 35.0 in the fourth quarter of 2023 (“4Q23”).

Looking ahead, the business environment in overseas markets remains uncertain, the risk of an economic slowdown or recession in overseas markets is the biggest challenge to the export performance in the next few months.

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. 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.

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 decreased by approximately HK\$86.89 million or approximately 31.88% from approximately HK\$272.56 million for the year ended 31 December 2022 to approximately HK\$185.67 million for the year ended 31 December 2023. The decrease was mainly due to the ongoing uncertainty across the global market.

### **Cost of sales**

Our cost of sales decreased by approximately HK\$73.99 million or 34.20% from approximately HK\$216.34 million for the year ended 31 December 2022 to approximately HK\$142.35 million for the year ended 31 December 2023. The decrease in cost of sales was mainly due to the decrease in revenue.

### **Gross profit and gross profit margin**

As a result of the decrease in revenue, our gross profit decreased by approximately HK\$12.90 million or approximately 22.95% from approximately HK\$56.22 million for the year ended 31 December 2022 to approximately HK\$43.32 million for the year ended 31 December 2023.

### **Selling and distribution expenses**

Our selling and distribution expenses decreased by approximately HK\$0.10 million or approximately 2.39% from approximately HK\$4.18 million for the year ended 31 December 2022 to approximately HK\$4.08 million for the year ended 31 December 2023.

### **Administrative expenses**

Our administrative expenses decreased by approximately HK\$8.84 million or approximately 15.39% from approximately HK\$57.44 million for the year ended 31 December 2022 to approximately HK\$48.60 million for the year ended 31 December 2023. The decrease was primarily due to (i) the decrease in staff salaries; (ii) the decrease in legal and professional fees; and (iii) the decrease in the Group's charitable donation.

### **Finance costs**

Our finance costs increased by approximately HK\$2.37 million or approximately 35.11% from approximately HK\$6.75 million for the year ended 31 December 2022 to approximately HK\$9.12 million for the year ended 31 December 2023. 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\$18.74 million for the year ended 31 December 2023 as compared to the loss before tax of approximately HK\$10.52 million for the year ended 31 December 2022.

## **Taxation**

Our income tax expenses increased by approximately HK\$0.59 million or approximately 98.33% from income tax expense approximately HK\$0.60 million for the year ended 31 December 2022 approximately to income tax expense HK\$1.19 million for the year ended 31 December 2023. The increase was mainly due to the increase in PRC Enterprise Income Tax of a PRC subsidiary.

## **Loss for the year**

As a result of the foregoing, we recorded a loss for the year of approximately HK\$19.93 million for the year ended 31 December 2023 as compared to approximately HK\$11.12 million for the year ended 31 December 2022.

## **OUTLOOK AND FUTURE PROSPECTS**

Looking ahead, the business environment in overseas markets remains uncertain, the risk of an economic slowdown or recession in overseas markets is the biggest challenge to the export performance in the next few months.

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. 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 2023. 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 2023, the Group had cash and bank balances of approximately HK\$13.80 million (2022: HK\$14.62 million). The current ratios (current asset divided by current liabilities) of the Group were 1.02 times and 1.12 times as at 31 December 2023 and 31 December 2022 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 2023, the gearing ratio of the Group calculated by total borrowings (including bills payables, bank overdrafts, bank borrowings, loan from a related company and lease liabilities) less fixed bank deposits and cash and bank balances as a percentage of total equity was approximately 446.54% (2022: 230.97%).

## COMMITMENTS

As at 31 December 2023, the Group had no capital commitments.

## PLEDGE OF ASSETS

As at 31 December 2023, the following assets were pledged to bank to secure the Group's banking facilities:

	<i>HK\$'000</i>
Property, plant and equipment	46,741
Financial assets at fair value through profit or loss	18,833
Investment properties	11,375
Bank deposits	<u>66,020</u>
	<u><u>142,969</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 2023, 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 2023 (2022: Nil).

## **EMPLOYEES AND REMUNERATION POLICIES**

As at 31 December 2023, we had a total of 110 employees (2022: 111). 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.

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

During the year ended 31 December 2023, 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 2023.

## **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 20 June 2018.

### (1) Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners or service providers of the Group and to promote the success of the business of the Group.

**(2) Who may join and basis of eligibility**

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe at a price calculated in accordance with paragraph (3) below for such number of Shares as it may determine in accordance with the terms of the Share Option Scheme.

The basis of eligibility of any participant to the grant of any option shall be determined by the Board (or as the case may be, our independent non-executive Directors) from time to time on the basis of his contribution or potential contribution to the development and growth of the Group.

**(3) Price of shares of the Company (the “Share(s)”)**

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of our Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average of the closing prices of our Shares as stated in the Stock Exchange’s daily quotations sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of a Share on the date of grant of the option.

**(4) Grant of options and acceptance of offers**

An offer for the grant of options must be accepted within seven days inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of the offer for the grant of an option is HK\$1.00.

**(5) Maximum number of Shares**

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 schemes of the Group (excluding, for this purpose, options which have lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group) must not in aggregate exceed 10% of the total number of Shares in issue as at the listing date. The Company may refresh this limit at any time, subject to the shareholders’ approval and the issue of a circular and in accordance with the GEM Listing Rules provided that the total number of Shares which may be allotted and issued upon exercise of all outstanding options to be granted under the Share Option Scheme and any other share option schemes of the Group must not exceed 10% of the Shares in issue as at the date of approval of the refreshed limit and for such purpose, options (including those

outstanding, cancelled, lapsed or exercised in accordance with the Share Option Scheme and any other share option schemes of the Group) previously granted under the Share Option Scheme and any other share option schemes of the Group will not be counted. The above is subject to the condition that the maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group shall not exceed 30% of the Share Capital of the Company in issue from time to time.

**(6) Maximum entitlement of each Eligible Person**

The total number of Shares issued and to be issued upon exercise of options granted to any participant (including both exercised and outstanding options) under the Share Option Scheme or any other share option schemes of the Company in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by Shareholders in general meeting with such grantee and his close associates abstaining from voting. In such event, the Company must send a circular to the Shareholders containing the identity of the grantee, the number and terms of the options to be granted (and options previously granted to such grantee), and all other information required under the GEM Listing Rules. The number and terms (including the subscription price) of the options to be granted must be fixed before the approval of the Shareholders and the date of the Board meeting proposing such further grant should be taken as the date of grant for the purpose of calculating the subscription price.

**(7) Time of exercise of option**

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during a period as the Board may determine which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof.

**(8) Period of the Share Option Scheme**

The Share Option Scheme will remain in force for a period of ten years commencing on the date on the adoption Date and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless terminated earlier by the Shareholders in general meeting. As of the date of this announcement, the Share Option Scheme has a remaining life of approximately four years.

No share options have been granted/exercised/cancelled/lapsed under the Share Option Scheme during the year ended 31 December 2023. As at 31 December 2023, the Company has no outstanding share option under the Share Option Scheme. The total number of shares available for grant under the Share Option Scheme as at 31 December 2023 were 100,000,000 shares. As at the date of this announcement, the total number of shares of the Company available for issue under the Share Option Scheme was 100,000,000 shares, representing 10% of the issued shares of the Company.

## 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 2023.

## 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 2023, 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.

In order to protect the Group’s interest in its business activities, on 12 July 2018, each of Million Easy Enterprises Limited and Mr. Cheuk Sin Cheong, Clement and Ms. Au Corona Ching Mei M.H., the controlling shareholders of the Company (the “**Controlling Shareholders**”) as covenantors (each of them, a “Covenantor” and collectively, the “**Covenantors**”) executed a Deed of Non-competition in favour of our Company (for itself and as trustee for each of its subsidiaries).

In accordance with the Deed of Non-competition, each of the Covenantors undertakes that, from the Listing Date and ending on the occurrence of the earlier of (i) the date on which the Shares cease to be listed on the GEM; or (ii) the date on which the Covenantors and his/her/its close associates ceases to be entitled to exercise or control the exercise of 30% in aggregate of the voting power at general meetings of the Company:

He/she/it will not, and will use his/her/its best endeavours to procure any Covenantor, his/her/its close associates and any company directly or indirectly controlled by the Covenantor not to, either on his/her/its own or in conjunction with any body corporate, partnership, joint venture or other contractual agreement, whether directly or indirectly, whether for profit or not, carry on, participate in, hold, engage in, acquire or operate, or provide any form of assistance to any person, firm or company (except members of our Group) to conduct any business which, directly or indirectly, competes or is likely to compete with the business of our Company or any of our subsidiaries in Hong Kong and such other places as our Company or any of our subsidiaries may conduct or carry on business from time to time, including but not limited to the Business.



The Company has received a confirmation from the Controlling Shareholders on their compliance with the Deed of Non-competition from the Listing Date to the date of this announcement (“**Confirmation**”). The Independent Non-executive Directors have reviewed the Confirmations and confirmed that they are not aware of any non-compliance of the Deed of Non-competition by the Controlling Shareholders from the Listing Date to the date of this announcement.

Details of the undertaking has been set out in the section headed “Relationship with our Controlling Shareholders” of the Prospectus of the Company dated 28 June 2018.

## **DIVIDEND**

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: 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 C1 to the GEM Listing Rules during the year ended 31 December 2023, 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 2023.

## **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 2023.

## **ANNUAL GENERAL MEETING**

The notice of the annual general meeting (“AGM”) will be published on the Company’s website and the Stock Exchange’s website and sent to the Shareholders in due course once the date of the forthcoming AGM has been determined.

## **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 2023 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](http://www.hkexnews.hk)) and on the website of the Company ([www.hanveygroup.com.hk](http://www.hanveygroup.com.hk)). The annual report of the Company for the financial year ended 31 December 2023 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, 27 March 2024

*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., 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](http://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](http://www.hanveygroup.com.hk).*