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NAMYUE HOLDINGS LIMITED

南粵控股有限公司

(Incorporated in Hong Kong with limited liability)

(Stock Code: 01058)

2022 ANNUAL RESULTS ANNOUNCEMENT

HIGHLIGHTS

	For the year ended 31 December		
	2022	2021	Change
Sales volume of cowhides (in thousand square feet)	5,802	12,262	-52.7%
Revenue (in thousand HK\$)	86,050	196,231	-56.1%
Loss for the year (in thousand HK\$)	(43,929)	(19,943)	-120.3%
Basic loss per share (in HK cents)	(8.16)	(3.71)	-119.9%
Key Indicators (As at 31 December)	2022	2021	Change
Current Ratio	2.42 times	3.40 times	-28.8%
Quick Ratio	0.95 times	1.57 times	-39.5%
Debt to asset ratio	31.0%	23.5%	+31.9%
Total assets (in thousand HK\$)	174,007	228,284	-23.8%
Net asset value per share (HK\$)	0.22	0.32	-31.3%

FINANCIAL RESULTS

The board of directors (the "Board") of Namyue Holdings Limited (the "Company") announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2022 together with comparative figures.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	<i>Notes</i>	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
REVENUE	4	86,050	196,231
Cost of sales		<u>(93,857)</u>	<u>(178,030)</u>
Gross (loss)/profit		(7,807)	18,201
Other income and (losses)/gains, net	5	(535)	1,814
Selling and distribution expenses		(1,600)	(1,683)
Administrative expenses		(31,317)	(32,510)
Impairment on items of plant and equipment		(1,908)	(4,499)
Other operating (expenses)/income, net	5	(886)	985
Finance costs		<u>(107)</u>	<u>(1,994)</u>
LOSS BEFORE TAX	6	(44,160)	(19,686)
Income tax credit/(expense)	7	<u>231</u>	<u>(257)</u>
LOSS FOR THE YEAR		<u>(43,929)</u>	<u>(19,943)</u>
LOSS PER SHARE	8		
- Basic		<u>HK(8.16) cents</u>	<u>HK(3.71) cents</u>
- Diluted		<u>HK(8.16) cents</u>	<u>HK(3.71) cents</u>

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

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
LOSS FOR THE YEAR	(43,929)	(19,943)
OTHER COMPREHENSIVE (EXPENSES)/INCOME		
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:</i>		
Surplus on revaluation of buildings	4,258	1,330
Income tax effect	<u>(1,064)</u>	<u>(333)</u>
	3,194	997
<i>Other comprehensive (expenses)/ income that may be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	<u>(13,788)</u>	<u>6,205</u>
OTHER COMPREHENSIVE (EXPENSES)/INCOME FOR THE YEAR, NET OF TAX	<u>(10,594)</u>	<u>7,202</u>
TOTAL COMPREHENSIVE EXPENSES FOR THE YEAR	<u><u>(54,523)</u></u>	<u><u>(12,741)</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Notes</i>	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		42,846	45,434
Right-of-use assets		11,252	12,622
		<u>54,098</u>	<u>58,056</u>
CURRENT ASSETS			
Inventories		73,028	91,534
Receivables, prepayments and deposits	<i>10</i>	37,418	59,629
Pledged bank balances		-	123
Cash and bank balances		9,463	18,942
		<u>119,909</u>	<u>170,228</u>
CURRENT LIABILITIES			
Trade payables	<i>11</i>	24,054	25,068
Other payables, accruals and provision	<i>12</i>	24,261	23,757
Tax payable		21	72
Due to a PRC joint venture partner		1,131	1,131
		<u>49,467</u>	<u>50,028</u>
NET CURRENT ASSETS		<u>70,442</u>	<u>120,200</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>124,540</u>	<u>178,256</u>
NON-CURRENT LIABILITY			
Deferred tax liabilities		4,527	3,720
NET ASSETS		<u>120,013</u>	<u>174,536</u>
EQUITY			
Share capital		75,032	75,032
Reserves		44,981	99,504
TOTAL EQUITY		<u>120,013</u>	<u>174,536</u>

Notes:

1. BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for buildings classified as property, plant and equipment and bills receivable which have been measured at fair value. These financial statements are presented in Hong Kong dollars ("HK\$") and all values are rounded to the nearest thousand (HK\$'000) except when otherwise indicated.

The financial information relating to the years ended 31 December 2022 and 31 December 2021 included in this preliminary announcement of annual results for the year ended 31 December 2022 does not constitute the Company's statutory annual consolidated financial statements for those years, but in respect of the year ended 31 December 2021, is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance and will deliver the financial statements for the year ended 31 December 2022 in due course.

Auditor' reports have been prepared on the financial statements of the Group for both years. The auditor' reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2022. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties, to determine whether it has control. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill relating to that subsidiary and any related accumulated foreign currency translation reserve.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 January 2022. HKFRSs comprise Hong Kong Financial Reporting Standards ("HKFRS"); Hong Kong Accounting Standards ("HKAS"); and Interpretations. The adoption of these new and revised HKFRSs did not result in significant changes to the Group's accounting policies, presentation of the Group's financial statements and amounts reported for the current year and prior years.

The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised HKFRSs but is not yet in a position to state whether these new and revised HKFRSs would have a material impact on its results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

No separate analysis of operating segment information is presented by the Group as over 90% of the Group's revenue, results and assets related to the processing and sale of semi-finished and finished leather in the People's Republic of China ("PRC") during the year.

Information about major customers

Revenues from the following customers individually contributed over 10% of the consolidated revenue of the Group are as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	N/A*	34,286
Customer B	N/A*	28,446
Customer C	N/A*	<u>25,809</u>

* The revenue from Customer A, B and C contributed not over 10% of the Group's revenue each individually in 2022, therefore the amount is not disclosed.

4. REVENUE

An analysis of revenue is as follows:

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Revenue from contracts with customers</i>		
Sale of processed leather in the PRC	<u>86,050</u>	<u>196,231</u>

(i) Disaggregated revenue information

Revenue is recognised when goods are transferred at a point in time to customers. The amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period was nil (2021: HK\$19,000).

The Group sells processed leather to the customers. Sales are recognised when control of the processed leather has transferred, being when the processed leather are delivered to a customer, there is no unfulfilled obligation that could affect the customer's acceptance of the processed leather and the customer has obtained legal titles to the processed leather.

(ii) Performance obligations

Information about the Group's performance obligations is summarised below:

Sale of goods

The performance obligation is satisfied upon delivery of the goods at a point in time and payment is generally due within 90 to 180 days from date of delivery, except for new customers, where payment in advance is normally required. A receivable is recognised when the processed leather is delivered to customers as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

5. OTHER INCOME AND (LOSSES)/GAINS, AND OTHER OPERATING (EXPENSES)/INCOME, NET

(a) *Other income and (losses)/gains, net*

	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
Finance income	18	93
Sale of scrap materials in the PRC	399	656
Government grants*	475	777
Net (losses)/gains from subcontracted leather processing in the PRC	(1,183)	164
Net exchange (losses)/gains	(354)	96
Others	<u>110</u>	<u>28</u>
	<u>(535)</u>	<u>1,814</u>

* During the year ended 31 December 2022, the Group received approximately HK\$475,000 (2021: HK\$777,000) from the PRC local government as a support to the Group's PRC operations. There are no unfulfilled conditions or contingencies relating to these grants.

(b) Other operating (expenses)/income, net

	2022	2021
	HK\$'000	HK\$'000
Impairment on right-of-use assets	(79)	-
(Impairment)/reversal of impairment of trade receivables	(1,156)	573
Impairment of other receivables	(379)	(26)
Reversal of accruals and payables	<u>728</u>	<u>438</u>
	<u>(886)</u>	<u>985</u>

6. LOSS BEFORE TAX

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

	2022	2021
	HK\$'000	HK\$'000
Cost of inventories sold	94,988	180,136
Auditor's remuneration	750	1,500
Depreciation of property, plant and equipment	3,106	2,163
Depreciation of right-of-use assets	392	324
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	25,210	27,341
Pension scheme contributions (defined contribution schemes)*	<u>5,289</u>	<u>4,817</u>
	<u>30,499</u>	<u>32,158</u>
Provision/(reversal of provision) for inventories**	1,131	(2,106)
Expenses related to short-term leases	<u>91</u>	<u>4</u>

* There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

** This item is included in the "Cost of sales" on the face of the consolidated statement of profit or loss.

7. INCOME TAX (CREDIT)/EXPENSE

No provision for Hong Kong Profits Tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the years ended 31 December 2022 and 2021. Taxes on profits assessable in the PRC have been calculated at the rate of tax prevailing in the PRC in which the Group operates.

	2022	2021
	HK\$'000	HK\$'000
Current - the PRC		
Charge for the year	26	257
Deferred tax liabilities	<u>(257)</u>	<u>-</u>
Total tax (credit)/charge for the year	<u>(231)</u>	<u>257</u>

8. LOSS PER SHARE

The calculation of the basic loss per share amount is based on the loss for the year and the weighted average number of ordinary shares of 538,019,000 (2021: 538,019,000) in issue during the year.

The calculation of basic loss per share is based on:

	2022	2021
	HK\$'000	HK\$'000
Loss		
Loss for the year, used in the basic loss per share calculation	<u>43,929</u>	<u>19,943</u>
	Number of shares	
	2022	2021
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic loss per share calculation	<u>538,019</u>	<u>538,019</u>

No adjustment has been made to the calculation of the basic loss per share amounts presented for the years ended 31 December 2022 and 2021 as there was no dilutive event during the years ended 31 December 2022 and 2021.

9. DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

10. RECEIVABLES, PREPAYMENTS AND DEPOSITS

	<i>Notes</i>	2022	2021
		HK\$'000	HK\$'000
Trade receivables	<i>(i)</i>	31,719	35,140
Bills receivable	<i>(i)</i>	4,874	23,005
Prepayments, deposits and other receivables	<i>(ii)</i>	<u>825</u>	<u>1,484</u>
		<u>37,418</u>	<u>59,629</u>

Notes:

- (i) The Group's trading terms with customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well-established customers, where the terms are extended to 150 days. Each customer has a maximum credit limit. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing. The carrying amounts of trade and bills receivables approximate their fair values.

An ageing analysis of the trade and bills receivables as at the end of the reporting period, based on the invoice date, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	17,217	51,711
3 to 6 months	7,687	5,931
6 to 12 months	8,245	503
1 to 2 years	4,554	-
	37,703	58,145
Impairment	(1,110)	-
	<u>36,593</u>	<u>58,145</u>

- (ii) As at 31 December 2022, a provision of approximately HK\$714,000 (2021: HK\$383,000) was made for other receivables with a gross carrying amount of approximately HK\$714,000 (2021: HK\$383,000).

The carrying amounts of other receivables approximate their fair values.

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the date of receipt of goods, is as follows:

	2022 <i>HK\$'000</i>	2021 <i>HK\$'000</i>
Within 3 months	5,967	16,628
3 to 6 months	6,126	5,440
Over 6 months	11,961	3,000
	<u>24,054</u>	<u>25,068</u>

The trade payables of the Group are non-interest-bearing and are normally settled on terms of 90 days. The carrying amounts of trade payables approximate their fair values.

12. OTHER PAYABLES, ACCRUALS AND PROVISION

	2022	2021
	HK\$'000	HK\$'000
Current		
Other payables	3,892	3,321
Accruals	6,906	8,294
Deposits received	1,212	1,263
Other tax payables	1,568	1,165
Provision	9,782	9,038
Contract liabilities	820	645
Lease liabilities	81	31
	<u>24,261</u>	<u>23,757</u>

Note:

As at 31 December 2022, the balance included (i) a provision in relation to an early termination of a joint venture agreement of approximately HK\$3,359,000 (2021: HK3,901,000) and (ii) a provision for penalty of approximately HK\$6,423,000 (2021: HK\$5,137,000).

CHAIRMAN'S STATEMENT

RESULTS

I would like to present to the shareholders that the consolidated loss attributable to shareholders of the Group for year 2022 was HK\$43,929,000 (2021: HK\$19,943,000), representing an increase in loss of 120.3%. Basic loss per share was HK8.16 cents (2021: HK3.71 cents).

DIVIDEND

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

REVIEW

The leather production and consumption industry experienced the most difficult year in history in 2022 due to the frequent outbreaks of the COVID-19 pandemic. In the first half of the year, many regions across China were locked down to implement pandemic control and prevention measures, quality orders were unavoidably lost, and product seasonal adjustments were slow. With sporadic cases occurring in the second half of the year, production chains of downstream enterprises were severely impacted, while market demand shrank sharply. Focusing on the State's requirements of "two stabilities, one excellence, three innovations" (兩穩一優三新), the Group adhered to the work deployment strategies which were formulated at the beginning of the year and upheld the idea of maintaining a stable operation and development. In addition, the Group abided by the main development line of ensuring production, stability and cash flow in operation by ways of adjusting production layout, optimizing its management and organization structures to promote highest development growth, aiming to meet the State's requirements of "preventing the pandemic, stabilizing the economy and securing the development" and overcome the adverse impact of the pandemic. Although the overall operating environment remained sluggish, and the scale of operations also contracted substantially as compared to last year, the business operations and the work team of the Group remained stable.

During the year, due to the impact of the pandemic, closed production management was implemented, procurement and production were unavoidably got out of touch with the market and affected subsequent production arrangements significantly. In response to the above difficulties, the Group strived to maintain its competitive edges on footwear leather through the utilization of its existing inventory to match perfectly with customer orders and the implementation of precise production schedule based on orders received. In addition, the Group has also strengthened its quality control during the whole production procedures and provided employees with more trainings on product quality and professional skills to fully leverage on its technology advantages, with an aim to establish its position as "keeping abreast of market developments and maintaining stable product quality". Meanwhile, the Group was also able to lower production and management costs by continuously expanding into external processing business using excess production capability, thereby effectively supporting all production units and securing a stable labour force. Moreover, the Group also strived to do its best on environmental protection, and tackled aging equipment issues, achieved better coordination of sludge disposal business, and enhanced its risk control measures on environmental protection to ensure a safe and stable production environment.

PROSPECTS

Looking ahead, the business environment is expected to remain challenging in 2023. With the lifting of the lockdown restrictions, people mobility and economic activities will gradually resume. Nevertheless, the footwear leather market is still facing many difficulties including overcapacity, emerging of new replacements, shrinkage in demand and narrowing of profit margin. Coupled with increasing policy requirements on environmental protection, the overall situation remains challenging and the pressure on production operations caused a severe drag to leather processing companies. Adhering to the operational strategy of “ensuring stable operations” for the future, the Group will actively explore more in-depth market and industry information, product development trends, and conduct product research and analysis to reduce market risks. On the other hand, the Group will strictly control and manage costs and expenses, enhance product quality, optimize labour force to promote efficiency and effectiveness. At the same time, the Group will also establish various mechanisms to stimulate internal growth and development, optimize overall risk management, and strengthen the establishment of mechanisms over key risks, including environmental protection, safety and funding to ensure a safe, stable and smooth operation of production operations so as to achieve its goal of minimizing loss.

In addition to focusing on the existing business, the Group also takes an open approach and actively explores any potential opportunities beneficial to the Group’s development, in hopes of bringing new energy to the Group and benefits to the shareholders in the long term. During the year, following the approval of the change of company name by the shareholders by way of special resolution at the extraordinary general meeting of the Company on 17 June 2022, the Chinese name of the Company has been changed from “*粵海制革有限公司*” to “*南粤控股有限公司*” and the English name of the Company has been changed from “*GUANGDONG TANNERY LIMITED*” to “*NAMYUE HOLDINGS LIMITED*”, with effect from 25 July 2022. The directors of the Company believe the change of the company name will better reflect the current corporate culture of the Group, our strategic business planning and the direction of our future development, thus bringing a clearer brand image and identity for the Group to grasp potential business opportunities, and is beneficial to the business diversification of the Group in the future.

Last but not least, on behalf of the Board, I would like to take this opportunity to express my gratitude to our shareholders and business partners for their strong support, and to the senior management and employees of the Group for their continuous patronage and dedication to strive for better performance over the last year.

Zhou Hao
Chairman

Hong Kong, 29 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

Results

The Group's consolidated loss attributable to shareholders for the year ended 31 December 2022 was HK\$43,929,000, representing an increase in loss of HK\$23,986,000 or 120.3% from HK\$19,943,000 for the corresponding period last year.

The net asset value of the Group as at 31 December 2022 was HK\$120,013,000, representing a decrease of HK\$54,523,000 and HK\$29,694,000 as compared to the net asset value as at 31 December 2021 and 30 June 2022, respectively.

The Board does not recommend the payment of any dividend for the year ended 31 December 2022 (2021: Nil).

Business Review

With the adverse impacts of the COVID-19 pandemic lingering in 2022, the cowhide footwear leather market was severely disrupted that year, resulting in loss of orders and a sharp decline in sales revenue. Affected by the Russo-Ukrainian war and global economic volatility, downstream footwear companies focusing on central and eastern Europe were operated under capacity due to sluggish market demand and declining orders. Coupled with constant emergence of leather substitutes, genuine leather is continuously being replaced, which caused cowhide footwear leather market to shrink continuously and fierce peer competition in the industry. During the year, the Group abided by its core objectives of maintaining stable operations and overcoming the negative impacts brought by the COVID-19 pandemic. On one hand, the Group promoted the establishment of a decision-making mechanism that is market-based, in order to shorten research and development, promotion and mass production cycle of new products. On the other hand, the Group made continuous efforts on reduction of raw material procurement, optimization of materials and labour cost, while ensuring production requirements are met. The Group optimized the layout of the production management to enhance efficiency in order to reduce costs, and implement strict control on waste. Meanwhile, the Group strengthened the establishment of its technology team, so as to ensure stable operation of the Group in a complex economic environment.

In terms of environmental protection, in recent years, China has stepped up its efforts to strengthen environmental protection management in the industry, and as a result, the environmental protection requirements and enforcement have become higher and stricter. With the continuous rise of wastewater discharge standards, more stringent air emission standards, increasingly difficult industrial waste treatment, and the demand for improvement of a series of environmental protection requirements, the Group increased its investment continuously in business operations, resulting in high operating costs. In response to the requirements on environmental protection management, the Group deployed its capital investment on environmental protection related equipment, enhanced the wastewater treatment techniques as well as clean production technology, and also developed chrome-free tanning technology to ensure a safe and stable production environment.

During the year, the total production volume of cowhides was 5,180,000 sq.ft., representing a decrease of 6,526,000 sq.ft. or 55.7% as compared to 11,706,000 sq.ft. last year. The production volume of grey hides was 1,973 tons, representing a decrease of 3,733 tons or 65.4% as compared to 5,706 tons last year. During the year, the total sales volume of cowhides was 5,802,000 sq.ft., representing a decrease of 6,460,000 sq.ft. or 52.7% as compared to 12,262,000 sq.ft. last year. The sales volume of grey hides was 1,973 tons, representing a decrease of 3,733 tons or 65.4% as compared to 5,706 tons last year.

In 2022, the Group's consolidated turnover was HK\$86,050,000, representing a decrease of HK\$110,181,000 or 56.1% from HK\$196,231,000 last year, of which, the sales of cowhides was HK\$74,365,000 (2021: HK\$171,485,000), representing a decrease of 56.6%; grey hides and other products were HK\$11,685,000 (2021: HK\$24,746,000), representing a decrease of 52.8%. Against the backdrop of strict prevention and control measures under the pandemic, the Group faced with increasing challenges on sales and marketing efforts. During the year, the Group took the initiatives to call on its customers, analyzed market trends in response to the market demand in order to regain the orders that were lost previously. In addition, the Group conducted in-depth market research and analyzed its positions on market, proactively adjusted its sales and marketing strategies to promote production through increasing sales.

In terms of procurement, the Group purchased raw materials according to the strategy of "procurement based on sales" with reference to sales order, inventory and product structure, as well as the actual production conditions to meet production requirements, thereby reducing its commodities procurement and capital deployment. In addition, the Group strived to reduce the procurement cost by means of exploring reasonably priced high quality chemical materials. During the year, the total procurement amounted to HK\$67,406,000, representing a decrease of 61.1% as compared to the same period last year.

As at 31 December 2022, the Group's consolidated inventory amounted to HK\$73,028,000 (31 December 2021: HK\$91,534,000), representing a decrease of HK\$18,506,000 or 20.2% as compared to that as at 31 December 2021. In 2022, the Group continued to take inventory reduction as a priority. Against the backdrop of shrinking market demand, the Group made a strict control on raw leather procurement, actively looked for potential customers in the downstream, analyzed customers' needs to carry out product ratification and integration. In addition, the Group also conducted in-depth market research, maintained communications with customers and matched its inventory with sales. The Group had reassessed the value of inventory based on its aging and net realizable value and made a net provision for inventory of HK\$1,131,000 for 2022 (2021: reversal of net provision for inventory of HK\$2,106,000).

As at 31 December 2022, the Group's property, plant and equipment amounted to HK\$42,846,000 (31 December 2021: HK\$45,434,000), representing a decrease of HK\$2,588,000 or 5.7% as compared to that as at 31 December 2021. In view of the loss of the Group's operating results during the year, the recoverable amount of the plant and equipment was calculated by using value in use based on the discounted cash flow method and an impairment loss on plant and equipment of HK\$1,908,000 was made for 2021 (2021: HK\$4,499,000).

Financial Review

Liquidity and Financial Resources

As at 31 December 2022, the Group's cash and cash equivalents amounted to HK\$9,463,000 (31 December 2021: HK\$18,942,000), representing a decrease of HK\$9,479,000 or 50.0% as compared to 31 December 2021, of which 11.1% were in Hong Kong dollars, 87.2% in Renminbi and 1.7% in United States dollars. Net cash outflow from operating activities for the year was HK\$6,364,000, which was mainly attributable to the decrease in cash outflow from the decrease in bills receivable. Net cash outflow from investing activities was HK\$1,941,000, which was mainly attributable to the increase in payment for purchase of machinery and equipment. Net cash outflow from financing activities was HK\$106,000, which was mainly attributable to the payment of rental expenses.

As at 31 December 2022 and 31 December 2021, the Group did not have any interest-bearing borrowings. The Group's borrowings arose from short-term loans provided by a bank, which were secured by buildings and leasehold land prepayments of HK\$49,111,000 in total and charged at a floating rate. On 28 September 2021, the then immediate holding company entered into a deed of waiver to waive the rights and entitlements of the Group to the repayment of the outstanding principal and interest accrued under its loans.

As at 31 December 2022 and 31 December 2021, the Group's gearing ratio of interest-bearing borrowings to shareholders' equity plus interest-bearing borrowings was nil. The annual interest rate of the borrowings during the year was 2.0% to 4.3%. During the year, the Group's interest expenses amounted to HK\$107,000, representing a decrease of 94.6% as compared with the same period of last year, which was mainly due to the interests on its long-term unsecured loans recorded from the first quarter to the third quarter in 2021 and a decrease of bank loans in 2022, attributable to decrease in interest expenses on loans accordingly.

As at 31 December 2022, the Group had banking facilities of HK\$44,780,000 in total (31 December 2021: HK\$48,924,000) which are all unutilized. Taking into account the existing cash resources and available credit facilities, the Group has adequate financial resources to meet its day-to-day operational requirements.

Capital Expenditure

As at 31 December 2022, the net amount of non-current assets including property, plant and equipment and right-of-use assets amounted to HK\$55,308,000, representing a decrease of HK\$2,748,000 over the net value of HK\$58,056,000 as at 31 December 2021. The capital expenditure for the year amounted to HK\$2,058,000 (2021: HK\$5,755,000) in total, which was mainly attributable to the payment of acquisition of machinery and equipment to meet the production needs of the Group.

Pledge of Assets

As at 31 December 2022, the Group's bank deposits of nil (31 December 2021: HK\$123,000), buildings of HK\$37,859,000 (31 December 2021: HK\$39,482,000) and leasehold land prepayments of HK\$11,252,000 (31 December 2021: HK\$12,622,000) were pledged to a bank to secure general banking facilities.

Foreign Exchange Exposure

The assets, liabilities and transactions of the Group are basically denominated in Hong Kong dollars, United States dollars or Renminbi. The Group is exposed to foreign currency risk primarily from purchases from overseas suppliers that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is mainly the United States dollars against Renminbi. The Group did not hedge its exposure to risks arising from fluctuations in exchange rates during the year. Should the Group consider that its exposure to foreign currency risk justifies hedging, it may use forward or hedging contracts to reduce the risks.

Remuneration Policy for Employees

As at 31 December 2022, the Group had 327 staff (31 December 2021: 364). The Group's remuneration policy is based on its operating results and the employees' performance. The Group has adopted a performance-based appraisal scheme for its employees and established an operation assessment mechanism focusing on "accountability and performance". Based on the Group's operating efficiency, the incentive scheme provides bonuses to the management, key officers and outstanding employees according to different ranking and individual performance, which effectively motivates employees to make contributions. In addition, the Group offered social and medical insurance coverage and pension schemes to all employees in different areas.

CORPORATE GOVERNANCE CODE

The Group recognizes the importance of achieving the highest standard of corporate governance consistent with the needs and requirements of its business and the best interest of all of its stakeholders and is fully committed to doing so. It is also with these objectives in mind that the Group has applied the principles of good corporate governance of the Corporate Governance Code (the “CG Code”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong.

In the opinion of the directors of the Company, the Company had complied with the code provisions and, where appropriate, the applicable recommended best practices in the CG Code throughout the year ended 31 December 2022, save as disclosed below:

Due to travel restrictions as a result of the COVID-19 pandemic, the chairman of the Board, the chairman of the Nomination Committee and the chairman of the Audit Committee were unable to attend the 2022 annual general meeting of the Company held on 17 June 2022 in person as required by Code Provision F.2.2. Nevertheless, with the consent of other directors of the Company, Mr. Leung Luen Cheong, an Independent Non-Executive Director of the Company and chairman of the Remuneration Committee, chaired the 2022 annual general meeting of the Company.

The approval of the appointment of Ms. Cheung Hoi Yin (“Ms. Cheung”) as the company secretary of the Company with effect from 18 January 2023 following the resignation of Mr. Chong Yuk Fai as the company secretary of the Company was dealt with by a written resolution passed by the Board rather than by holding a physical board meeting as required by a note to Code Provision C.6.2 due to the difficulties in scheduling arrangement during the time of COVID-19 pandemic. Although a physical board meeting was not held to discuss the appointment, the directors of the Company were well informed of the educational background and working experiences of Ms. Cheung and were satisfied that Ms. Cheung possesses the required qualifications and expertise of the position.

CHANGE OF COMPANY NAME

With effect from 25 July 2022, the Company has by way of special resolution changed its name from “GUANGDONG TANNERY LIMITED 粵海制革有限公司” to “NAMYUE HOLDINGS LIMITED 南粵控股有限公司” .

REVIEW OF ANNUAL RESULTS

The annual results of the Group for the year ended 31 December 2022 have been reviewed by the Audit Committee of the Company.

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities listed on The Stock Exchange of Hong Kong Limited during the year.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 13 June 2023 to Friday, 16 June 2023 (both days inclusive), during such period no transfer of shares of the Company will be registered. In order to determine the identity of the members who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Friday, 16 June 2023, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Tengis Limited at 17th Floor, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 12 June 2023.

AUDITOR

Following the resignation of Ernst & Young ("EY") as the auditor of the Company on 28 November 2022, ZHONGHUI ANDA CPA Limited ("ZH") was appointed by the Board as the auditor of the Company to fill the casual vacancy arising from the resignation of EY.

The consolidated financial statements of the Group for the year ended 31 December 2022 have been audited by ZH who will retire and, being eligible, offer themselves for re-appointment. A resolution will be proposed at the forthcoming annual general meeting of the Company for the re-appointment of ZH as the auditor of the Company.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the websites of the Company (www.namyueholdings.com) and The Stock Exchange of Hong Kong Limited (www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the shareholders of the Company and made available on the abovementioned websites around end of April 2023.

By Order of the Board
Zhou Hao
Chairman

Hong Kong, 29 March 2022

As at the date of this announcement, the Board comprises two Executive Directors, namely, Mr. Zhou Hao and Mr. Sun Jun; two Non-Executive Directors, namely, Mr. Huang Junfeng and Mr. Kuang Hu; and three Independent Non-Executive Directors, namely, Mr. Yeung Man Lee, Mr. Leung Luen Cheong and Mr. Yang Ge.