

# HANVEY GROUP HOLDINGS LIMITED

## 恆偉集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)  
(於開曼群島註冊成立的有限公司)

Stock Code 股份代號 : 8219



**2022**  
Interim Report  
中期報告

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*This report, for which the directors (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 the GEM of the Stock Exchange (the "GEM Listing Rules") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquires, confirm that, to the best of their knowledge and belief the information contained in this report 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 report misleading.*

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# Corporate Information

## BOARD OF DIRECTOR

### Executive Directors

Mr. Cheuk Sin Cheong Clement  
(Chairman and Chief Executive Officer)

Ms. Au Corona Ching Mei M.H.

### Independent Non-executive Directors

Mr. Yu Sau Ning Homer M.H.

Mr. Zhao Zhipeng

Ms. Yee Wai Fong Wendy

Dr. Liu Ngai Wing

## COMPLIANCE OFFICER

Ms. Au Corona Ching Mei M.H.

## COMPANY SECRETARY

Mr. Xie Xing (resigned on 1 August 2022)

Ms. Pang Yuk Fong (appointed on 1 August 2022)

## AUTHORISED REPRESENTATIVES

Ms. Au Corona Ching Mei M.H.

Mr. Xie Xing (resigned on 1 August 2022)

Ms. Pang Yuk Fong (appointed on 1 August 2022)

## AUDIT COMMITTEE

Mr. Yu Sau Ning Homer M.H. (Chairman)

Mr. Zhao Zhipeng

Ms. Yee Wai Fong Wendy

## REMUNERATION COMMITTEE

Mr. Zhao Zhipeng (Chairman)

Mr. Yu Sau Ning Homer M.H.

Ms. Au Corona Ching Mei M.H.

Dr. Liu Ngai Wing

## NOMINATION COMMITTEE

Mr. Cheuk Sin Cheong Clement (Chairman)

Mr. Yu Sau Ning Homer M.H.

Ms. Yee Wai Fong Wendy

## AUDITOR

HLB Hodgson Impey Cheng Limited

## HONG KONG LEGAL ADVISOR

TC & Co., Solicitors

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

Units 3, 5 and 6, 15th Floor

Tower One, Ever Gain Plaza

No. 88 Container Port Road

Kwai Chung, New Territories

Hong Kong

## REGISTERED OFFICE

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman

KY1-1111, Cayman Islands

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

PO Box 2681, Grand Cayman

KY1-1111, Cayman Islands

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

Hang Seng Bank

## GEM STOCK CODE

8219

## WEBSITE ADDRESS

[www.hanveygroup.com.hk](http://www.hanveygroup.com.hk)



## Summary

- Revenue for the six months ended 30 June 2022 (the “**Period**”) amounted to approximately HK\$134.67 million (six months ended 30 June 2021: approximately HK\$96.88 million), representing an increase of approximately 39.01% as compared with that for the corresponding period in 2021.
- Profit attributable to owners of the Company for the Period amounted to approximately HK\$3.58 million (six months ended 30 June 2021: loss approximately HK\$1.23 million).
- Basic earning per share for the Period amounted to approximately HK2.58 cents (basic loss per share for the six months ended 30 June 2021: approximately HK0.12 cents).

## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

The board of Directors (the “Board”) of Hanvey Group Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months and six months ended 30 June 2022 together with the comparative figures as follows:

For the three months and the six months ended 30 June 2022

	Notes	Three months ended 30 June		Six months ended 30 June	
		2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Revenue</b>	4	<b>76,719</b>	55,743	<b>134,670</b>	96,877
Cost of sales		<b>(56,830)</b>	(41,509)	<b>(98,904)</b>	(70,960)
<b>Gross profit</b>		<b>19,889</b>	14,234	<b>35,766</b>	25,917
Other income, gains and losses	4	<b>66</b>	1,346	<b>938</b>	1,511
Selling and distribution expenses		<b>(1,239)</b>	(1,261)	<b>(1,925)</b>	(2,041)
Administrative expenses		<b>(13,983)</b>	(11,147)	<b>(27,905)</b>	(24,150)
Finance costs		<b>(1,473)</b>	(1,261)	<b>(2,787)</b>	(2,469)
<b>Profit/(loss) before taxation</b>	5	<b>3,260</b>	1,911	<b>4,087</b>	(1,232)
Income tax expenses	6	<b>(509)</b>	–	<b>(509)</b>	–
<b>Profit/(loss) for the period</b>		<b>2,751</b>	1,911	<b>3,578</b>	(1,232)
<b>Attributable to:</b>					
Owners of the Company		<b>2,908</b>	1,911	<b>3,871</b>	(1,232)
Non-controlling interests		<b>(157)</b>	–	<b>(293)</b>	–
		<b>2,751</b>	1,911	<b>3,578</b>	(1,232)
<b>Other comprehensive income/(loss)</b>					
Item that may be reclassified subsequently to profit or loss: Exchange differences arising on translation		<b>(481)</b>	7,245	<b>(6,088)</b>	1,786
Other comprehensive income/(loss) for the period, net of tax		<b>(481)</b>	7,245	<b>(6,088)</b>	1,786
<b>Total comprehensive income/(loss) for the period</b>		<b>2,270</b>	9,156	<b>(2,510)</b>	554
<b>Total comprehensive income/(loss) for the period attributable to:</b>					
Owners of the Company		<b>2,427</b>	9,156	<b>(2,217)</b>	554
Non-controlling interests		<b>(157)</b>	–	<b>(293)</b>	–
		<b>2,270</b>	9,156	<b>(2,510)</b>	554
Earning/(loss) per share – basic and diluted	7	<b>HK1.94 cents</b>	HK0.19 cents	<b>HK2.58 cents</b>	HK(0.12) cents

# Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
<b>Non-current assets</b>			
Property, plant and equipment	8	63,524	67,984
Right of use assets		3,722	3,927
Investment properties		11,223	11,223
Financial asset at fair value through profit or loss		440	440
		<b>78,909</b>	83,574
<b>Current assets</b>			
Inventories		37,720	28,594
Trade receivables	9	42,713	21,304
Other receivables, deposits and prepayments	9	10,487	9,491
Financial asset at fair value through profit or loss		20,696	18,243
Pledged bank deposits		46,887	46,887
Cash and bank balances		13,479	13,046
		<b>171,982</b>	137,565
<b>Current liabilities</b>			
Trade and bills payables	10	81,993	60,638
Other payables and accrued expenses	10	7,381	5,364
Contract liabilities		2,202	1,985
Bank overdrafts		–	3,298
Borrowings		88,988	86,016
Lease liabilities		1,548	1,548
Tax payable		687	65
		<b>182,799</b>	158,914
<b>Net current liabilities</b>		<b>(10,817)</b>	(21,349)
<b>Total assets less current liabilities</b>		<b>68,092</b>	62,225

## Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	<b>As at 30 June 2022 HK\$'000 (unaudited)</b>	As at 31 December 2021 HK\$'000 (audited)
<b>Non-current liabilities</b>		
Borrowings	<b>20,340</b>	21,508
Lease liabilities	<b>1,292</b>	1,747
	<b>21,632</b>	23,255
<b>Net assets</b>	<b>46,460</b>	38,970
<b>Capital and reserves</b>		
Share capital	<b>15,000</b>	10,000
Reserves	<b>31,460</b>	28,970
<b>Total equity</b>	<b>46,460</b>	38,970

# Condensed Consolidated Statement of Changes in Equity

	Share capital HK\$'000	Share premium HK\$'000	Exchange reserves (Note (a)) HK\$'000	Other reserves (Note (b)) HK\$'000	Retained earnings/ (accumulated losses) HK\$'000	Non-controlling interest HK\$'000	Total HK\$'000
Balance at 31 December 2020 (audited)	10,000	42,344	3,001	1,000	(16,523)	–	39,822
Loss for the period	–	–	–	–	(1,232)	–	(1,232)
Other comprehensive income	–	–	1,786	–	–	–	1,786
Total comprehensive income/(loss)	–	–	1,786	–	(1,232)	–	554
Balance at 30 June 2021 (unaudited)	10,000	42,344	4,787	1,000	(17,755)	–	40,376
Balance at 31 December 2021 (audited)	<b>10,000</b>	<b>42,344</b>	<b>4,941</b>	<b>1,000</b>	<b>(19,072)</b>	<b>(243)</b>	<b>38,970</b>
Profit/(loss) for the period	–	–	–	–	<b>3,871</b>	<b>(293)</b>	<b>3,578</b>
Other comprehensive loss	–	–	<b>(6,088)</b>	–	–	–	<b>(6,088)</b>
Total comprehensive income/(loss)	–	–	<b>(6,088)</b>	–	<b>3,871</b>	<b>(293)</b>	<b>(2,510)</b>
Issue of new shares upon right issue	<b>5,000</b>	<b>5,000</b>	–	–	–	–	<b>10,000</b>
Balance at 30 June 2022 (unaudited)	<b>15,000</b>	<b>47,344</b>	<b>(1,147)</b>	<b>1,000</b>	<b>(15,201)</b>	<b>(536)</b>	<b>46,460</b>

Notes:

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

# Condensed Consolidated Statement of Cash Flows

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
<b>Net cash generated from/(used in) operating activities</b>	<b>2,228</b>	(9,752)
<b>Net cash used in investing activities</b>	<b>(2,816)</b>	(875)
<b>Net cash generated from financing activities</b>	<b>8,961</b>	3,221
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>8,373</b>	(7,406)
Cash and cash equivalents at beginning of period	9,748	15,369
Effect of foreign exchange rates changes	(4,642)	1,387
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>13,479</b>	9,350
<b>ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS</b>		
Cash and bank balances	13,479	10,491
Bank overdrafts	–	(1,141)
<b>Cash and cash equivalents as stated in the consolidated statements of cash flows</b>	<b>13,479</b>	9,350

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 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 Law, Cap.22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The registered office of the Company is located at Cricket Square, Hutchins Drive PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Unit 3, 5 and 6, 15th Floor, Tower One, Ever Gain Plaza, No. 88 Container Port Road, Kwai Chung, New Territories, Hong Kong. Its ultimate holding company and immediate holding company are Million Easy Enterprises Limited, a company incorporated in the British Virgin Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in 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 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 unaudited condensed 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. BASIS OF PREPARATION AND ACCOUNTING POLICIES

This unaudited condensed consolidated interim financial statements for the six months ended 30 June 2022 are prepared in accordance with Hong Kong Financial Reporting Standard (“**HKFRSs**”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and interpretations issued by the Hong Kong Institutes of Certified Public Accountants (“**HKICPA**”). The unaudited condensed consolidated financial statements also include the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”).

The accounting policies adopted are consistent with those of the financial statement for the year ended 31 December 2021, as described in the Accountant’s Report. The adoption of the new and revised HKFRSs that are relevant to the Group and effective from the current period had no significant effects on the results and financial position of the Group.

## 3. REVENUE AND SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being 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 six months ended and 30 June 2022, the Group only engaged operating segment in (“**ODM**”) Original Design Manufacturer.

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 3. REVENUE AND SEGMENT INFORMATION (Continued)

### Geographical information

The Group's revenue is mainly derived from customers located in the Indonesia, Hong Kong, India and Brazil. 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:

	Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Hong Kong	15,959	5,531
Brazil	8,136	7,962
India	17,807	5,651
Saudi Arabia	1,726	3,050
Indonesia	79,143	64,273
Australia	2,708	3,532
Turkey	3,261	2,749
United Arab Emirates	1,008	883
Others (Note)	4,922	3,246
	<b>134,670</b>	<b>96,877</b>

Note: Other geographical locations are mainly located in Germany, Switzerland and China.

## 4. REVENUE, OTHER INCOME, GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Finished watches	62,159	27,582	109,377	53,257
SKD kits	13,395	10,894	22,331	15,663
Watch parts	1,165	17,267	2,962	27,957
	<b>76,719</b>	<b>55,743</b>	<b>134,670</b>	<b>96,877</b>
Interest income	75	96	152	176
Rental income	90	77	180	155
Exchange gain/(loss), net	115	381	486	(99)
Sundry income	–	1	3	35
Government grant income	250	752	499	1,081
Net (loss)/gain arising from disposal of financial assets at FVTPL	(464)	39	(382)	163
	<b>66</b>	<b>1,346</b>	<b>938</b>	<b>1,511</b>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 5. PROFIT/(LOSS) BEFORE TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	1,339	223	2,760	1,468

## 6. INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2022 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)
Tax charge/(credit) comprises:				
Current tax				
– Hong Kong Profits Tax	509	–	509	–
– PRC EIT	–	–	–	–
	509	–	509	–

## 7. EARNING/(LOSS) PER SHARE

The calculation of earning per share for the six months ended 30 June 2022 and 30 June 2021 are based on the profit for the Period attributable to equity owners of the Company of approximately HK\$3.87 million and HK\$1.23 million respectively.

Diluted earning per share were same as the basic earning per share as there were no potential dilutive ordinary shares in existence during the these Periods.

## 8. PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group paid approximately HK\$0.13 million (for the six months ended 30 June 2021: HK\$1.18 million) for acquisition of property, plant and equipment.

The Group has pledged property, plant and equipment with a carrying amount of approximately HK\$52.33 million and HK\$54.70 million as at 30 June 2022 and 31 December 2021, respectively, to secure general banking facilities granted to the Group.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 9. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	<b>As at 30 June 2022 HK\$'000 (unaudited)</b>	As at 31 December 2021 HK\$'000 (audited)
Trade receivables	<b>42,819</b>	21,410
Less: allowance for expected credit losses	<b>(106)</b>	(106)
	<b>42,713</b>	21,304
Other receivables	<b>343</b>	409
Deposits	<b>158</b>	189
Prepayments	<b>9,986</b>	8,893
	<b>10,487</b>	9,491

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

	<b>As at 30 June 2022 HK\$'000 (unaudited)</b>	As at 31 December 2021 HK\$'000 (audited)
0 to 30 days	<b>37,442</b>	15,478
31 to 60 days	<b>2,531</b>	4,360
61 to 90 days	<b>140</b>	647
Over 90 days	<b>2,600</b>	819
	<b>42,713</b>	21,304

The Group has policy of allowing its trade customers with credit period normally ranging 30 to 90 days or in accordance with agreed terms of the contracts with customers. However, for certain customers with long-established relationship and good repayment records, a long credit period may be granted more than 90 days.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

### 10. TRADE AND BILLS PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Trade payables	40,243	26,624
Bills payables	41,750	34,014
	<b>81,993</b>	60,638
Salary and bonus payables	3,173	2,916
Other payables	1,385	1,590
Accrued expenses	2,823	858
	<b>7,381</b>	5,364

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

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

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
0 to 30 days	13,038	6,181
31 to 60 days	11,058	10,497
61 to 90 days	11,564	7,753
91 to 120 days	997	1,742
Over 120 days	3,586	451
	<b>40,243</b>	26,624

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

## 10. TRADE AND BILLS PAYABLES, OTHER PAYABLES AND ACCRUED EXPENSES

(Continued)

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

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
0 to 30 days	14,656	12,483
31 to 60 days	11,145	6,702
61 to 90 days	15,949	12,333
91 to 120 days	–	2,496
	<b>41,750</b>	34,014

## 11. RELATED PARTY TRANSACTIONS

During the interim period, the Group entered into related parties transactions:

Name of related parties	Notes	Nature of transaction	Six months ended 30 June	
			2022 HK\$'000	2021 HK\$'000
<b>Recurring:</b>				
Mr. Cheuk Sin Cheong, Clement ("Mr. Cheuk")	(b)	Rental expense	360	360
Smart Hill Enterprises Limited ("Smart Hill")	(a)	Rental income	–	65
	(a)	SKD Kits income	184	603

Notes:

(a) Smart Hill is connected person which is wholly-owned by the close relative of a director.

(b) Mr. Cheuk, a director of the Company.

# Management Discussion and Analysis

## BUSINESS REVIEW

Hanvey Group Holdings Limited (the “**Company**”), and its subsidiaries (collectively refer to as the “**Group**”) are principally engaged in the design and development, manufacturing and distribution of watch products on original design manufacturing basis for watch manufacturers, brand owners and watch importers across the globe.

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

For the six months ended 30 June 2022 (the “**Period**”), the Group’s revenue amounted to approximately HK\$134.67 million, increased by approximately 39.01% when compared with that of the corresponding period in 2021.

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 2Q22: First Rally in Exporter Confidence for 12 Months” dated 14 June 2022, the HKTDC Export Index (the “**Index**”) dropped from 48.7 in the second quarter of 2021 (“**2Q21**”) to 30.9 in the second quarter of 2022 (“**2Q22**”). As a result, the 2Q22 HKTDC Export Index fell to 30.9, notably down from the 48.7 recorded for 2Q21. As the index has fallen further into contractionary territory, it is clear that Hong Kong exporters expect considerable challenges over the near term.

With a number of new COVID-19 vaccines being successfully rolled out in many countries, the decrease in the number of infections in some Asian countries in 2022, the improved growth outlook for key external economies, as well as a further easing of global and domestic public health measures with the availability of vaccines, the watch market is expected to return to growth in 2022.

## PROSPECTS

In 2022, the global situation will remain complex and changeable. The adverse impact of the COVID-19 pandemic and geopolitical and military conflicts will be a major factor of uncertainty. Following its weakest economic performance since the global financial crisis, the world economy is poised for a modest rebound in 2022. Market sentiment has been boosted by tentative signs: intermittent favourable news on the US-PRC trade negotiations and central banks’ shifting toward accommodative monetary policy.

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

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

We will continue to focus on the core business and to in strengthen our product design and development capability in order to maximise the long term returns of the shareholders of the Company.

# Management Discussion and Analysis

## FINANCIAL REVIEW

For the six months ended 30 June 2022 (the “**Period**”), the Group recorded a gross profit of approximately HK\$35.77 million, representing an increase of approximately 38.00% when compared with that for the same period in 2021, 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. The selling and distribution expenses for the Period remain the similar level as compared with that for the same period in 2021. The administrative expenses increased by approximately HK\$3.76 million or approximately 15.57% from approximately HK\$24.15 million for the six months ended 30 June 2021 to approximately HK\$27.91 million for the Period. The increase was mainly due to the increase in staff salaries. The finance costs increased by approximately HK\$0.32 million or approximately 12.96% from approximately HK\$2.47 million for the six months ended 30 June 2021 to approximately HK\$2.79 million for the Period. The increase was mainly due to the Group obtaining more bank facilities to maintain its normal operation during the business down turn cycle.

## INTERIM DIVIDENDS

The Board does not declare the payment of an interim dividend for the Period (2020: Nil).

## CAPITAL STRUCTURE

There has been no change in the Company’s capital structure during the Period. 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 30 June 2022, the Group had cash and bank balances of approximately HK\$13.48 million (as at 30 June 2021: HK\$10.49 million). The current ratios (current asset divided by current liabilities) of the Group were approximately 0.94 times and 1.04 times as at 30 June 2022 and 30 June 2021 respectively.

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

As at 30 June 2022, the gearing ratio of the Group (calculated by total bank borrowings less pledged bank deposits and cash and bank balances as a percentage of total equity) was approximately 201.36% (30 June 2021: 236.61%).

## COMMITMENTS

As at 30 June 2022, the Group had no capital commitments.

## PLEDGE OF ASSETS

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

	HK\$'000
Property, plant and equipment	52,331
Financial assets at fair value through profit or loss	18,253
Investment properties	11,223
Pledged bank deposits	46,887
	128,694

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## EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2022, we had a total of 121 employees (30 June 2021: 110). The Company determines employees' 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.

## 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 review and monitor from time to time the risk relating to foreign exchanges.

During the Period, 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 30 June 2022 (31 December 2021: Nil).

## EVENTS AFTER THE REPORTING PERIOD

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

## USE OF PROCEEDS

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

	Allocation HK\$'000	Amount utilised up to 30 June 2022 HK\$'000	Amount unutilised as at 30 June 2022 HK\$'000
Repayment of bank loans	7,000	7,000	–
Working capital	3,000	3,000	–
Total	10,000	10,000	–

## PLACING OF NEW SHARES UNDER GENERAL MANDATE

In order to raise additional working capital for the Company, on 13 July 2022 (after trading hours), the Company entered into a placing agreement with Excalibur Global Financial Group Limited (the "Placing Agent") in relation to the placing of a maximum of 15,000,000 Placing Shares to not less than six (6) Placées at a price of HK\$0.5 per Placing Share. The Placing Shares will be allotted and issued under the General Mandate, and will not be subject to approval by the Shareholders.

The Placing Price of HK\$0.5 was determined with reference to the prevailing market price of the Shares and was negotiated on an arm's length between the Company and the Placing Agent, and represents (i) a discount of approximately 9.09% the closing price of HK\$0.55 as quoted on the Stock Exchange on the date of the Placing Agreement and (ii) a discount of approximately 5.48% to the average closing price of approximately HK\$0.53 in the last five consecutive trading days prior to the date of the Placing Agreement.

The Company intends to apply the net proceeds from the placing as to (i) approximately HK\$5.07 million for the repayment of bank loans and borrowings of the Group; and (ii) approximately HK\$2.17 million for general working capital of the Group.

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The closing price for the Company's shares on 13 July 2022 (being the last trading day prior to the date of signing the placing agreement) was HK\$0.55 per share. On 29 July 2022, the Placing completed and 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.

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at 30 June 2022, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of Securities and Futures Ordinance ("SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO, or which were required, pursuant to Rules 5.46 to 5.68 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange, were as follows:

Long position in shares of the Company:

Name of Director	Capacity/Nature of Interest	Long position	
		Number of ordinary shares interested	Percentage of total number of shares
Mr. Cheuk Sin Cheong, Clement ("Mr. Cheuk") (Note)	Interest in controlled corporation	93,000,000	62%
Ms. Au Corona Ching Mei M.H. ("Mrs. Cheuk") (Note)	Interest in controlled corporation	93,000,000	62%

Note: 93,000,000 shares of the Company are registered in the name of Million Easy Enterprises Ltd. ("Million Easy"), the entire issued share capital of which are legally and beneficially owned by Mr. Cheuk and Mrs. Cheuk in equal shares. Under the SFO, both Mr. Cheuk and Mrs. Cheuk are deemed to be interested in all the shares of the Company held by Million Easy.

Long position in the ordinary shares of associated corporation:

Name of Director	Name of associated corporation	Capacity/Nature of Interest	Long position	
			Number of ordinary shares interested	Percentage of total number of shares
Mr. Cheuk	Million Easy	Beneficial Interest	1	50%
Mrs. Cheuk	Million Easy	Beneficial Interest	1	50%

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors to be notified to the Company and the Stock Exchange.

## Management Discussion and Analysis

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2022, other than the Directors and chief executive of the Company, the following persons/entities have an interest or a short position in the shares or the underlying shares of the Company as recorded in the register of the Company required to be kept under section 336 of the SFO:

Long position in shares of the Company:

Name	Capacity/Nature of Interest	Long position	
		Number of ordinary shares interested	Percentage of total number of shares
Million Easy	Beneficial Interest	93,000,000	62%

Save as disclosed above, as at 30 June 2022, the Directors are not aware of any other persons/entities (other than a Director and chief executive of the Company) who had, or were deemed or taken to have any interests or short position in any shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

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

During the Period, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

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

There was no significant investment, material acquisition and disposal of subsidiaries, associates and joint ventures by the Company for the Period.

### FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in this interim report, 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").

## Management Discussion and Analysis

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 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.

### COMPETITION AND CONFLICT OF INTERESTS

None of the Directors, the management shareholders or substantial shareholders of the Company or any of its respective associates has engaged in any business that competes or may compete, either directly or indirectly, with the businesses of the Group, as defined in the GEM Listing Rules, or has any other conflict of interests with the Group during the Period.

### 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 "**Corporate Governance Code**") contained in Appendix 15 to the GEM Listing Rules throughout the Period, except for the deviation as specified and explained below with considered reasons for such deviations.

Code Provision C.2.1 of the Corporate Governance 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 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 the Chairman of our Board and the 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 Code Provision C.2.1 of the Corporate Governance 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.

### 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 throughout the Period.

## Management Discussion and Analysis

### AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 20 June 2018 with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules, and paragraph C.3 of the Corporate Governance Code. The members of the Audit Committee comprise Mr. Yu Sau Ning Homer M.H., Mr. Zhao Zhipeng and Ms. Yee Wai Fong Wendy. The chairperson of the Audit Committee is Mr. Yu Sau Ning Homer M.H..

The primary duties of the Audit Committee are mainly to make recommendations to our Board on the appointment and removal of the external auditor, review the financial statements and related materials and provide advice in respect of the financial reporting process and oversee the internal control procedures of our Group.

The financial information in this interim report has not been audited by the Auditor of the Company, but the Audit Committee has reviewed the unaudited consolidated results of the Group for the Period, which the Audit Committee is of the opinion that such results have been prepared in compliance with the applicable accounting standards and the GEM Listing Rules, and that adequate disclosures have been made.

### FORWARD LOOKING STATEMENTS

This interim report contains forward-looking statements in relation to financial conditions, results of operation and business of the Group. These statements are based on numerous assumptions regarding our Group’s present and future business strategy and the environment in which our Group will operate in the future. These forward-looking statements which reflect our Group’s views with respect to future events are not a guarantee of future performance and are subject to certain risks, uncertainties and assumptions.

By order of the Board  
**HANVEY GROUP HOLDINGS LIMITED**  
**Cheuk Sin Cheong, Clement**  
*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, 12 August 2022

*As at the date of this interim report, 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.*

HANVEY GROUP HOLDINGS LIMITED  
恆偉集團控股有限公司