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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 2020

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 of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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

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 2020, together with the comparative figures for the corresponding period of 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

		Year ended 31 December	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Revenue	5	**139,335**	198,050
Cost of sales		**(106,192)**	(147,744)
Gross profit		**33,143**	50,306
Other income and other loss, net	6	**(2,142)**	(889)
Selling and distribution expenses		**(4,350)**	(5,337)
Administrative expenses		**(47,838)**	(53,960)
Finance costs	7	**(4,999)**	(3,993)
Loss before tax	8	**(26,186)**	(13,873)
Income tax expense	9	**(22)**	(675)
Loss for the year attributable to:			
Owners of the Company		**(26,208)**	(14,548)
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translating		**3,053**	463
Other comprehensive income for the year, net of tax		**3,053**	463
Total comprehensive expense for the year attributable to			
Owners of the Company		**(23,155)**	(14,085)
Loss per share attributable to equity owners of the Company			
Basic and diluted *(HK$ cents)*	10	**(2.62)**	(1.45)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2020

		As at 31 December	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Non-current assets			
Property, plant and equipment		**68,986**	34,025
Right-of-use assets		**2,939**	4,305
Investment properties		**10,748**	14,200
Financial asset at fair value through profit or loss		**440**	440
Deferred tax assets		**5**	5
		83,118	52,975
Current assets			
Inventories		**20,233**	24,035
Trade receivables	11	**16,190**	44,667
Other receivables, deposits and prepayments		**7,678**	30,293
Financial asset at fair value through profit or loss		**18,157**	18,740
Tax recoverable		**466**	–
Pledged bank deposits		**46,619**	6,718
Cash and bank balances		**17,854**	22,190
		127,197	146,643
Current liabilities			
Trade and bills payables	12	**55,252**	76,385
Other payables and accrued expenses		**5,990**	7,939
Contract liabilities		**1,915**	2,801
Bank overdrafts		**2,485**	1,929
Borrowings		**51,888**	42,289
Lease liabilities		**1,274**	2,231
Tax payable		**65**	1,324
		118,869	134,898
Net current assets		**8,328**	11,745
Total assets less current liabilities		**91,446**	64,720

		As at 31 December	
		2020	2019
	Notes	***HK$'000***	*HK$'000*
Non-current liabilities			
Borrowings		**50,724**	–
Lease liabilities		**900**	1,743
		51,624	1,743
Net assets		**39,822**	62,977
Capital and reserves			
Share capital	13	**10,000**	10,000
Reserves		**29,822**	52,977
Total equity		**39,822**	62,977

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Share Capital	Share premium	Exchange reserves *(Note (a))*	Other reserve *(Note (b))*	Retained earnings/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2019	10,000	42,344	(515)	1,000	24,233	77,062
Loss for the year	–	–	–	–	(14,548)	(14,548)
Other comprehensive income for the year	–	–	463	–	–	463
Total comprehensive income/ (expense) for the year	–	–	463	–	(14,548)	(14,085)
At 31 December 2019 and 1 January 2020	**10,000**	**42,344**	**(52)**	**1,000**	**9,685**	**62,977**
Loss for the year	**–**	**–**	**–**	**–**	**(26,208)**	**(26,208)**
Other comprehensive income for the year	**–**	**–**	**3,053**	**–**	**–**	**3,053**
Total comprehensive income/ (expense) for the year	**–**	**–**	**3,053**	**–**	**(26,208)**	**(23,155)**
At 31 December 2020	**10,000**	**42,344**	**3,001**	**1,000**	**(16,523)**	**39,822**

Notes:

(a) The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. CORPORATE INFORMATION

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

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

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

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

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

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

In the current year, the Group has applied the *Amendments to References to Conceptual Framework in HKFRSs* and the following amendments to HKFRS issued by the Hong Kong Institute of Certified Public Accountant ("**HKICPA**") for the first time for their annual reporting period commencing 1 January 2020:

Amendments to HKAS 1 and HKAS 8	– Definition of Material
Amendments to HKFRS 3	– Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	– Interest Rate Benchmark Reform

The application of the *Amendments to References to the Conceptual Framework in HKFRSs* and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performances for the current and prior years and on the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments[1]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[2]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[1]
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020[2]

[1] Effective for annual periods beginning on or after 1 January 2023.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after a date to be determined.
[4] Effective for annual periods beginning on or after 1 June 2020.
[5] Effective for annual periods beginning on or after 1 January 2021.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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 and 31 December 2020 and 2019, the Group only engaged operating segment in ("**ODM**") Original Design Manufacturer.

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

Geographical information

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

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Indonesia	**62,695**	84,518
Hong Kong	**17,644**	21,563
Brazil	**13,153**	17,888
India	**12,014**	23,413
Kingdom of Saudi Arabia	**8,855**	10,832
Australia	**4,003**	8,973
UAE	**2,501**	3,729
Turkey	**1,974**	2,305
Others *(Note)*	**16,496**	24,829
	139,335	198,050

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

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

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**40,741**	45,943
PRC	**43,506**	6,587
	84,247	52,530

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

Revenue from major customers

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

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Customer A	**62,695**	91,736
Customer B	**–***	23,413

* The customer contributed less than 10% of the total revenue of the Group.

5. REVENUE

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Finished watches	**114,557**	146,801
SKD kits	**23,537**	48,081
Watch parts	**1,241**	3,168
Revenue recognised at a point in time	**139,335**	198,050

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

6. OTHER INCOME AND OTHER LOSS, NET

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Interest income	**154**	958
Rental income	**312**	246
Exchange (loss)/gain, net	**(220)**	328
Government grants *(Note)*	**1,973**	–
Sundry income	**166**	8
Loss on disposal of right-of-use assets, net	**(240)**	–
Net loss arising from change in fair value of investment properties	**(3,452)**	(600)
Net loss arising from disposal of financial assets at FVTPL	**(835)**	(1,829)
	(2,142)	(889)

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

7. FINANCE COSTS

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Interest on:		
Borrowings	**4,814**	3,741
Lease liabilities	**150**	221
Bank overdrafts	**35**	31
	4,999	3,993

8. LOSS BEFORE TAX

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

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Directors' emoluments	**7,282**	8,419
Staff costs (excluded directors' emoluments)	**10,806**	13,347
Bonus	**661**	1,476
Retirement benefit scheme contributions	**1,174**	1,450
Total staff costs	**12,641**	16,273
	19,923	24,692
Auditors' remuneration	**860**	860
Depreciation of property, plant and equipment	**5,149**	4,505
Write-down of inventories *(Note)*	**834**	455
Cost of inventories recognised as expenses	**95,432**	124,982
Depreciation of right-of-use assets	**1,864**	2,286
Commission paid	**1,344**	1,307
Expenses relating to short-term leases	**101**	62
Allowance for ECL on trade receivables	**1,712**	7

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

9. INCOME TAX EXPENSE

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

	Year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Tax charge comprises:		
Current tax		
– Hong Kong Profits Tax	**–**	537
– PRC EIT	**–**	4
– Under-provision in prior years	**22**	–
	22	541
Deferred tax	**–**	134
	22	675

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.

	2020	2019
	HK$'000	*HK$'000*
Loss		
Loss attributable to owners of the Company	**(26,208)**	(14,548)
Number of shares *(thousands)*		
Weighted average number of ordinary shares for calculating basic and diluted loss per share	**1,000,000**	1,000,000

For the years ended 31 December 2020 and 2019, diluted loss per share are the same as the basic loss per share as the Company did not have any potential dilutive ordinary shares outstanding during the years ended 31 December 2020 and 2019.

11. TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**18,303**	45,068
Less: allowance for ECL	**(2,113)**	(401)
	16,190	44,667

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

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**3,834**	20,178
31 to 60 days	**5,256**	10,879
61 to 90 days	**1,853**	1,716
Over 90 days	**5,247**	11,894
	16,190	44,667

12. TRADE AND BILLS PAYABLES

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
Trade payables	**26,184**	39,643
Bills payables	**29,068**	36,742
	55,252	76,385

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

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

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
0 to 30 days	**3,874**	8,200
31 to 60 days	**7,593**	11,848
61 to 90 days	**7,232**	11,702
91 to 120 days	**724**	7,707
Over 120 days	**6,761**	186
	26,184	39,643

13. SHARE CAPITAL

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

	2020		2019	
	Number of Shares	**Nominal value**	Number of share	Nominal value
	'000	***HK$'000***	*'000*	*HK$'000*
Authorised				
Ordinary share of HK$0.01 each				
At 1 January and 31 December	**10,000,000**	**100,000**	10,000,000	100,000
Issued and fully paid				
At 1 January and 31 December	**1,000,000**	**10,000**	1,000,000	10,000

14. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2020, nor has any dividend been proposed since the end of the reporting period (2019: HK$Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

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

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

For the year ended 31 December 2020, the Group's revenue amounted to approximately HK$139.34 million, decreased by approximately 29.64% when compared with that for the corresponding period of 2019.

BUSINESS REVIEW

For the year ended 31 December 2020, the Group's revenue amounted to approximately HK$139.34 million, decreased by approximately 29.64% when compared with that for the corresponding period of 2019. The decrease was primarily due to, among other things, the imposition of quarantine, lockdown and travel restrictions as a result of the outbreak of the COVID-19 in January 2020. The pandemic resulted in weak demand and decrease in sale of our products in our major markets. Nevertheless, with the availability of vaccines in January 2021, the number of infections in Asian countries has fallen. Hence, the demand for our products has gradually increased.

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 4Q20: Exporter Sentiment Improves as Initial Covid-19 Shockwave Recedes" dated 9 December 2020, the HKTDC Export Index (the "**Index**") rose from 18.8 in 4Q19 to 36.2 in 4Q20. This suggests that exporters are less pessimistic to their likely export performance in the coming months. However the overall Index which stays below the watershed mark of 50, indicates that considerable uncertainties remain with regard to the short term export outlook.

The HKTDC reported that, overall, a broad improvement in the economy was evident across all the major industry sectors, with timepieces rose from 15.5 in 4Q19 to 33.5 in 4Q20.

In terms of the major markets, Mainland China (48.4% of the interviewees) and ASEAN (47.2% of the interviewees) continued to command the most positive short-term market outlook.

With confidence ebbing back after the initial trauma of the Covid 19 outbreak, the Index is continuing its gradual climb. This saw a rise from 18.8 in 4Q19 to 36.2 in 4Q20 and marked the third consecutive quarter of improvement. Although this does suggest that peak exporter pessimism has passed, it is still likely that Hong Kong exporters will face considerable challenges over the near term given that the overall Index remained in contractionary territory.

FINANCIAL REVIEW

Revenue

The revenue of the Group decreased by approximately HK$58.71 million or approximately 29.64% from approximately HK$198.05 million for the year ended 31 December 2019 to approximately HK$139.34 million for the year ended 31 December 2020. The decrease was primarily due to, among other things, the imposition of quarantine, lockdown and travel restrictions as a result of the outbreak of the COVID-19 in January 2020. The pandemic resulted in weak demand and decrease in sale of our products in our major markets. Nevertheless, with the availability of vaccines in January 2021, the number of infections in Asian countries has fallen. Hence, the demand for our products has gradually increased.

Cost of sales

Our cost of sales decreased by approximately HK$41.55 million or 28.12% from approximately HK$147.74 million for the year ended 31 December 2019 to approximately HK$106.19 million for the year ended 31 December 2020. The decrease was mainly due to the global lockdown caused by the outbreak of the COVID-19. Despite our management tried very hard to minimise its negative impact to our business, the cost of sales dropped 28.12% which is in line with our revenue which has dropped 29.64%.

Gross profit and gross profit margin

As a result of the decrease in revenue, our gross profit decreased by approximately HK$17.17 million or approximately 34.13% from approximately HK$50.31 million for the year ended 31 December 2019 to approximately HK$33.14 million for the year ended 31 December 2020.

Selling and distribution expenses

Our selling and distribution expenses decreased by approximately HK$0.99 million or approximately 18.54% from approximately HK$5.34 million for the year ended 31 December 2019 to approximately HK$4.35 million for the year ended 31 December 2020. The decrease was mainly due to the decrease in packing expenses and decrease in exhibition expenses as the Baselworld's 2020 show has been cancelled due to the outbreak of the COVID-19..

Administrative expenses

Our administrative expenses decreased by approximately HK$6.12 million or approximately 11.34% from approximately HK$53.96 million for the year ended 31 December 2019 to approximately HK$47.84 million for the year ended 31 December 2020. The decrease was primarily due to (i) the decrease in staff cost as a result of, among others, of a reduction in salaries and distribution of bonus to staff; (ii) the decrease in professional expenses for compliance; (iii) the decrease in travelling expenses; and (iv) the decrease in the Group's charitable donation.

Finance costs

Our finance costs increased by approximately HK$1.01 million or approximately 25.31% from approximately HK$3.99 million for the year ended 31 December 2019 to approximately HK$5.00 million for the year ended 31 December 2020. The increase was mainly due to the Group obtaining more bank facilities to maintain its nomal operation during business down turn cycle.

Loss before tax

We recorded an increase in a loss before tax of approximately HK$26.19 million for the year ended 31 December 2020 as compared to the loss before tax of approximately HK$13.87 million for the year ended 31 December 2019.

Taxation

Our income tax expenses decreased by approximately HK$0.66 million or approximately 97.06% from approximately HK$0.68 million for the year ended 31 December 2019 to HK$0.02 million for the year ended 31 December 2020. The decrease was mainly due to the decrease in taxable profit of a Hong Kong subsidiary.

Loss for the year

As a result of the foregoing, we recorded a loss for the year of approximately HK$26.21 million for the year ended 31 December 2020 as compared to approximately HK$14.55 million for the year ended 31 December 2019.

OUTLOOK AND FUTURE PROSPECTS

Following its weakest performance since the global financial crisis, the world economy is poised for a modest rebound in 2021. Market sentiment has been boosted by tentative signs: intermittent favourable news on the US-PRC trade negotiations, central banks' shifting toward accommodative monetary policy, and diminished fears of a no-deal Brexit.

The outbreak of the novel coronavirus (COVID-19) infection 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.

With the emphasis 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 2021.

We intend to continue to focus on the core business, take efforts in strengthening our product design and development capability in order 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 2020. 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 2020, the Group had cash and cash equivalents of approximately HK$17.85 million (2019: HK$22.19 million). The current ratios (current asset divided by current liabilities) of the Group were 1.07 times and 1.09 times as at 31 December 2020 and 31 December 2019 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 2020, the gearing ratio of the Group calculated by total borrowings as a percentage of total equity was approximately 160%. (2019: 89%).

COMMITMENTS

As at 31 December 2020, the Group had no capital commitments.

PLEDGE OF ASSETS

As at 31 December 2020, the following assets were pledged to bank to secure the Group's banking facilities:

	HK$'000
Property, plant and equipment	56,563
Financial assets at fair value through profit or loss	17,780
Investment properties	10,748
Pledged bank deposits	46,619
	131,710

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 year ended 31 December 2020, 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 2020 (2019: Nil).

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, we had a total of 112 employees (2019: 166). The decrease was mainly due to the Group wants to have better management of our design, quality control and research & development. The management has outsourced our manufacturing part to a sub-contractor. Therefore, the number of employees has significantly decreased. The Company determines employee salaries based on each employee's qualifications, position and seniority. Our Group has established an annual review system to assess the performance of our employees, which forms the basis of our decisions with respect to salary raises, bonuses and promotions.

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

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

SUBSEQUENT EVENTS

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

USE OF PROCEEDS

During the period from the listing of the shares of the Company on the GEM of the Stock Exchange (the "**Listing**") on 12 July 2018 (the "**Listing Date**") to 31 December 2020, the Group has applied the net proceeds as follows:

	Allocation	**Amount utilised up to 31 December 2020**	**Amount unutilised as at 31 December 2020**
	HK$'000	*HK$'000*	*HK$'000*
Acquisition of new production facilities	21,629	21,629	–
Expansion of e-commerce customer base	2,739	2,739	–
Strengthening of design capabilities	2,200	2,200	–
Repayment of bank loan	7,422	7,422	–
Working capital	480	480	–
Total	34,470	34,470	–

COMPARISON BETWEEN BUSINESS OBJECTIVES AND ACTUAL BUSINESS PROGRESS

The following is a comparison between the Group's business plans as set out in the prospectus of the Company dated 28 June 2018 (the "**Prospectus**") and the Group's actual business progress for the year ended 31 December 2020:

Business plan for the Year as set out in the Prospectus	**Actual business progress as at 31 December 2020**
Repayment of bank loan	The Group has repaid HK$7.4 million bank loan in 2018, being the full amount of use of proceeds allocated for this purpose as set out in the Prospectus.
Expansion of e-commerce customer base	In 2018, 2019 and 2020, the Group hired new graphic designers, product engineers, R&D staff and marketing staff and purchased hardware & software for new staff to expand our e-commerce customer base.

Business plan for the Year as set out in the Prospectus	Actual business progress as at 31 December 2020
Strengthening of design capabilities	In 2019, the Group purchased a new Metal 3D printer and certain ancillary products to the printer for an aggregate consideration of approximately HK$2.1 million to strengthen our design capabilities.
Acquisition of new production facilities	The Group obtained a property ownership certificate in 2020. The new factory is located in Shenzhen. The consideration for the purchase is RMB27,928,530.00 (equivalent to approximately HK$31,838,524.20), being the aggregate purchase price of the properties (inclusive of value added tax). The property comprises three units, namely Unit 801, Unit 802 and Unit 803, 8th Floor, Block 1, Innovation Wisdom Port, Huangpu Nandong Ziron Village, Shejing Town, Baoan District, Shenzhen City, the PRC, which has a gross floor area of approximately 350.45 square meter, 357.85 square meter and 326.09 square meter, respectively (in aggregate approximately 1,034.39 square meter).

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

During the year ended 31 December 2020, 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 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

SHARE OPTION SCHEME

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

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

Ordinary shares of the Company ("**Share(s)**") may be allotted and issued upon the exercise of the options granted under the Share Option Scheme. The total number of Shares which may be allotted and issued upon exercise of all options to be granted under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the Shares in issue on the Listing Date, which was 100,000,000 Shares, representing approximately 10% of Shares in issue as at the date of this announcement. The maximum number of Shares which may be allotted and issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option scheme of the Group must not in aggregate exceed 30% of the issued share capital of the Company (or the subsidiaries) from time to time.

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

Please refer to paragraph headed "D. Share Option Scheme" in Appendix V of the Prospectus for more details of the Share Option Scheme. No share option has been granted, exercised, cancelled or lapsed by the Company pursuant to the Share Option Scheme during the year ended 31 December 2020 and up to the date of this announcement.

COMPETING INTERESTS

The Directors are not aware of any business or interest of the Directors, the Controlling Shareholder and 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 2020.

NON-COMPETITION UNDERTAKING

Each of the controlling Shareholders has made an annual declaration to the Company that during the year ended 31 December 2020, he/she/it has complied with the terms of non-competition undertakings ("**Non-Competition Undertakings**") given in favour of the Company. The Independent Non-executive Directors have also reviewed the status of compliance by each of the Controlling Shareholders with the undertakings stipulated in the Non-Competition Undertakings and have confirmed that, as far as the Independent Non-executive Directors can ascertain, there is no breach of any of such undertaking.

INTEREST OF COMPLIANCE ADVISER

As at 31 December 2020, except for the compliance adviser agreement entered into between the Company and TC Capital International Limited ("**TC Capital**") dated 23 February 2018, neither TC Capital nor any of its directors, employees or close associates had any interest in the securities of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) pursuant to Rule 6A.32 of the GEM Listing Rules.

DIVIDEND

The Board do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: Nil).

CORPORATE GOVERNANCE CODE

The Board is of the view that the Company has met the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 15 to the GEM Listing Rules during the year ended 31 December 2020, except for the deviation as specified and explained below with considered reasons for such deviations.

Provision A.2.1 of the CG Code stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Cheuk Sin Cheong Clement is currently the chairman of our Board and the chief executive officer of our Company. In view of the fact that Mr. Cheuk has been assuming day-to-day responsibilities in operating and managing our Group since 1986 and the rapid development of our Group, the Board believes that with the support of Mr. Cheuk's extensive experience and knowledge in the business of the Group, vesting 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 A.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 A.2.1 of the CG Code, our Company's corporate governance practices have complied with the CG Code during the year ended 31 December 2020.

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 2020.

ANNUAL GENERAL MEETING ("AGM")

The 2021 AGM of the Company will be held on Friday, 11 June 2021. The notice of the AGM will be published and distributed to the shareholders of the Company in the manner as required by the GEM Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine entitlement of shareholders of the Company to the right to attend and vote at the AGM (or any adjournment thereof), the register of members of the Company will be closed from Monday, 7 June 2021 to Friday, 11 June 2021, both days inclusive, during which period no share transfer will be effected. All transfers accompanied by the relevant share certificates must be lodged with the Hong Kong branch share registrar and transfer office of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Friday, 4 June 2021.

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, HLB Hodgson Impey Cheng Limited, to the amounts set out in the audited financial statements.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The annual results announcement of the Company is published on the website of the Stock Exchange (www.hkexnews.hk) and on the website of the Company (www.hanveygroup.com.hk). The annual report of the Company for the financial year ended 31 December 2020 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, 29 March 2021

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