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HANVEY GROUP HOLDINGS LIMITED

恒偉集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8219)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”) of HANVEY GROUP HOLDINGS LIMITED (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries for the six months ended 30 June 2021. This announcement, containing the full text of the 2021 Interim Report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcements of interim results.

By order of the Board

HANVEY GROUP HOLDINGS LIMITED

Cheuk Sin Cheong Clement

Chairman, Chief Executive Officer and Executive Director

Hong Kong, 13 August 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, 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.

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



2021
Interim Report
中期報告

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Given that the companies listed on the GEM are generally small and mid-sized companies, there is a risk that securities traded on the 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 the GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

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.

COMPLIANCE ADVISER

TC Capital International Limited
(resigned on 31 March 2021)

COMPANY SECRETARY

Mr. Xie Xing

AUTHORISED REPRESENTATIVES

Ms. Au Corona Ching Mei M.H.
Mr. Xie Xing

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



Summary

- Revenue for the six months ended 30 June 2021 (the “**Period**”) amounted to approximately HK\$96.88 million (six months ended 30 June 2020: approximately HK\$45.86 million), representing an increase of approximately 111.25% as compared with that for the corresponding period in 2020.
- Loss attributable to owners of the Company for the Period amounted to approximately HK\$1.23 million (six months ended 30 June 2020: loss approximately HK\$12.39 million).
- Basic loss per share for the Period amounted to approximately HK0.12 cents (basic loss per share for the six months ended 30 June 2020: approximately HK1.24 cents).

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income (Unaudited)

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 2021 together with the comparative figures as follows:

For the three months and the six months ended 30 June 2021

	Notes	Three months ended 30 June		Six months ended 30 June	
		2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Revenue	4	55,743	25,259	96,877	45,862
Cost of sales		(41,509)	(19,467)	(70,960)	(33,884)
Gross profit		14,234	5,792	25,917	11,978
Other income, gains and losses	4	1,346	1,286	1,511	1,222
Selling and distribution expenses		(1,261)	(1,018)	(2,041)	(1,795)
Administrative expenses		(11,147)	(9,564)	(24,150)	(21,542)
Finance costs		(1,261)	(1,179)	(2,469)	(2,248)
Profit (loss) before taxation	5	1,911	(4,683)	(1,232)	(12,385)
Income tax expenses	6	–	–	–	–
Profit (loss) for the period		1,911	(4,683)	(1,232)	(12,385)
Other comprehensive income (loss)					
Exchange differences arising on translation		7,245	(548)	1,786	582
Other comprehensive income (loss) for the period, net of tax		7,245	(548)	1,786	582
Total comprehensive income (loss) for the period		9,156	(5,231)	554	(11,803)
Profit (loss) for the period attributable to:					
Owners of the Company		1,911	(4,683)	(1,232)	(12,385)
Total comprehensive income (loss) for the period attributable to:					
Owners of the Company		9,156	(5,231)	554	(11,803)
Profit (loss) per share – basic and diluted	7	HK0.19 cents	HK(0.47) cents	HK(0.12) cents	HK(1.24) cents

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	8	69,172	68,986
Right of use assets		2,724	2,939
Investment properties		10,748	10,748
Financial asset at fair value through profit or loss		440	440
Deferred tax assets		5	5
		83,089	83,118
Current assets			
Inventories		22,543	20,233
Trade receivables	9	37,151	16,190
Other receivables, deposits and prepayments	9	3,356	7,678
Financial asset at fair value through profit or loss		18,173	18,157
Tax recoverable		466	466
Pledged bank deposits		46,636	46,619
Cash and bank balances		10,491	17,854
		138,816	127,197
Current liabilities			
Trade and bills payables	10	61,488	55,252
Other payables and accrued expenses	10	4,919	5,990
Contract liabilities		2,372	1,915
Bank overdrafts		1,141	2,485
Borrowings		61,671	51,888
Lease liabilities		1,274	1,274
Tax payable		53	65
		132,918	118,869
Net current assets		5,898	8,328
Total assets less current liabilities		88,987	91,446

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Non-current liabilities		
Borrowings	48,233	50,724
Lease liabilities	378	900
	48,611	51,624
Net assets	40,376	39,822
Capital and reserves		
Share capital	10,000	10,000
Reserves	30,376	29,822
Total equity	40,376	39,822

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	Total HK\$'000
Balance at 31 December 2019 (audited)	10,000	42,344	(52)	1,000	9,685	62,977
Loss for the period	–	–	–	–	(12,385)	(12,385)
Other comprehensive income	–	–	582	–	–	582
Total comprehensive income (loss)	–	–	582	–	(12,385)	(11,803)
Balance at 30 June 2020 (unaudited)	10,000	42,344	530	1,000	(2,700)	51,174
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

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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Net cash (used in)/generated from operating activities	(9,752)	18,300
Net cash used in investing activities	(875)	(71,133)
Net cash generated from financing activities	3,221	45,791
NET DECREASE IN CASH AND CASH EQUIVALENTS	(7,406)	(7,042)
Cash and cash equivalents at beginning of period	15,369	20,261
Effect of foreign exchange rates changes	1,387	1,127
CASH AND CASH EQUIVALENTS AT END OF PERIOD	9,350	14,346
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	10,491	14,364
Bank overdrafts	(1,141)	(18)
Cash and cash equivalents as stated in the consolidated statements of cash flows	9,350	14,346

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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 2021 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 2020 (the “**2020 Financial Statements**”).

The accounting policies adopted are consistent with those of the financial statement for the year ended 31 December 2020, 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.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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. Accordingly, the Group does not have separate reportable segments.

Geographical information

The Group's revenue is mainly derived from customers located in the Indonesia, Brazil, India, Hong Kong and Australia. 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	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Hong Kong	5,531	15,281
Brazil	7,962	8,109
India	5,651	1,112
Saudi Arabia	3,050	2,945
Indonesia	64,273	9,409
Australia	3,532	346
Turkey	2,749	–
UAE	883	1,351
Others (Note)	3,246	7,309
	96,877	45,862

Note: Other geographical locations are mainly located in Germany, Bangladesh and Sweden.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4. REVENUE, OTHER INCOME, GAINS AND LOSSES

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Finished watches	27,582	21,847	53,257	34,255
SKD kits	10,894	3,216	15,663	9,995
Watch parts	17,267	196	27,957	1,612
	55,743	25,259	96,877	45,862
Interest income	96	193	176	289
Rental income	77	78	155	156
Exchange (loss)/gain, net	381	217	(99)	89
Sundry income	1	23	35	17
Government grant income	752	742	1,081	1,226
Net gain/(loss) arising from disposal of financial assets at FVTPL	39	33	163	(555)
	1,346	1,286	1,511	1,222

5. LOSS BEFORE TAXATION

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Depreciation of property, plant and equipment	223	1,026	1,468	2,032

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

6. INCOME TAX

	Three months ended 30 June		Six months ended 30 June	
	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)	2021 HK\$'000 (unaudited)	2020 HK\$'000 (unaudited)
Tax charge (credit) comprises:				
Current tax				
– Hong Kong Profits Tax	–	–	–	–
– PRC EIT	–	–	–	–
	–	–	–	–

7. LOSS PER SHARE

The calculation of loss per share for the six months ended 30 June 2021 and 30 June 2020 are based on the loss for the Period attributable to equity owners of the Company of approximately HK\$1.23 million and HK\$12.39 million respectively.

Diluted loss per share were same as the basic loss 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\$1.18 million (for the six months ended 30 June 2020: HK\$31.92 million) for acquisition of property, plant and equipment.

The Group has pledged property, plant and equipment with a carrying amount of approximately HK\$55.65 million and HK\$56.56 million as at 30 June 2021 and 31 December 2020, respectively, to secure general banking facilities granted to the Group.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

9. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Trade receivables	39,264	18,303
Less: allowance for expected credit losses	(2,113)	(2,113)
	37,151	16,190
Other receivables	388	20
Deposits	192	920
Prepayments	2,776	6,738
	3,356	7,678

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:

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
0 to 30 days	34,477	3,834
31 to 60 days	1,817	5,256
61 to 90 days	118	1,853
Over 90 days	739	5,247
	37,151	16,190

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 2021

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

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Trade payables	21,523	26,184
Bills payables	39,965	29,068
	61,488	55,252
Salary and bonus payables	1,791	2,063
Other payables	415	2,178
Accrued expenses	2,713	1,749
	4,919	5,990

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 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
0 to 30 days	8,473	3,874
31 to 60 days	6,198	7,593
61 to 90 days	5,313	7,232
91 to 120 days	748	724
Over 120 days	791	6,761
	21,523	26,184

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
0 to 30 days	10,969	14,065
31 to 60 days	15,391	7,223
61 to 90 days	8,231	6,083
91 to 120 days	5,374	1,697
	39,965	29,068

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	
			2021 HK\$'000	2020 HK\$'000
Recurring:				
Mr. Cheuk Sin Cheong, Clement ("Mr. Cheuk")	(b)	Rental expense	360	360
Smart Hill Enterprises Limited	(a)	Rental income	65	78
("Smart Hill")	(a)	SKD Kits income	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

Harvey 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 2021 (the “**Period**”), the Group’s revenue amounted to approximately HK\$96.88 million, increased by approximately 111.25% when compared with that of the corresponding period in 2020.

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 2Q21: Exporter Confidence Rises for Fifth Successive Quarter” dated 23 June 2021, the HKTDC Export Index (the “**Index**”) rose from 18.2 in the second quarter of 2020 (“**2Q20**”) to 48.7 in the second quarter of 2021 (“**2Q21**”).

The HKTDC reported that, overall, a broad improvement in the economy was evident across all the major industry sectors, with timepieces rose from 13.0 in 2Q20 to 44.6 in 2Q21.

Turning to the performance of the major markets, the HKTDC reported that the Asian region continued to be seen as having the best prospects. Testifying to this, Mainland China returned to expansionary territory, with the ASEAN bloc also witnessing an uptick in exporter confidence. Beyond the region, a more positive outlook was also recorded for both the EU and the US, with rebounds to 6.3 points and 2.9 points respectively.

With a number of COVID-19 vaccines now being successfully rolled out in many countries, hopes of a further recovery are high among exporters. Accordingly, for 2Q21, the HKTDC Export Index recorded an increase of 30.5 points, rose from 18.2 in 2Q20 to 48.7 in 2Q21. Given the sustained nature of the upturn, it is expected that Hong Kong’s overall export performance will return to continuous growth over the near term.

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 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 2021.

We intend to continue to focus on the core business, take efforts in strengthening our product design and developing capability to maximise the long term returns of the shareholders of the Company.

Management Discussion and Analysis

FINANCIAL REVIEW

For the six months ended 30 June 2021 (the “Period”), the Group recorded a gross profit of approximately HK\$25.92 million, representing an increase of approximately 116.36% when compared with that for the same period in 2020, mainly due to the availability of vaccines in January 2021, 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 2020. The administrative expenses increased by approximately HK\$2.61 million or approximately 12.12% from approximately HK\$21.54 million for the six months ended 30 June 2020 to approximately HK\$24.15 million for the Period. The increase was mainly due to the relocation cost to the new factory located in Shenzhen and the increase in staff salaries. The finance costs increased by approximately HK\$0.22 million or approximately 9.78% from approximately HK\$2.25 million for the six months ended 30 June 2020 to approximately HK\$2.47 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 2021, the Group had cash and bank balances of approximately HK\$10.49 million (as at 30 June 2020: HK\$14.36 million). The current ratios (current asset divided by current liabilities) of the Group were approximately 1.04 times and 1.15 times as at 30 June 2021 and 30 June 2020 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 2021, 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 236.61% (30 June 2020: 282.72%).

COMMITMENTS

As at 30 June 2021, 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	55,651
Financial assets at fair value through profit or loss	18,378
Investment properties	10,748
Pledged bank deposits	46,636
	131,413

Management Discussion and Analysis

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2021, we had a total of 110 employees (30 June 2020: 147). The decrease was mainly due to the fact that 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 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 2021 (31 December 2020: Nil).

EVENTS AFTER THE REPORTING PERIOD

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

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 2021, 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	620,000,000	62%
Ms. Au Corona Ching Mei M.H. ("Mrs. Cheuk") (Note)	Interest in controlled corporation	620,000,000	62%

Note: 620,000,000 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.

Management Discussion and Analysis

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 2021, 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.

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

As at 30 June 2021, 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	620,000,000	62%

Save as disclosed above, as at 30 June 2021, the Directors are not aware of any other persons/entities (other than a Director) 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.

Management Discussion and Analysis

SHARE OPTION SCHEME

The Company has a share option scheme (the “**Scheme**”) which was approved and adopted by the shareholders of the Company by way of written resolutions passed on 20 June 2018. The Scheme shall be valid and effective for a period of 10 years and will expire on 19 June 2028. The purpose of the 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.

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 during the six months ended 30 June 2020 and 2021.

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.

INTEREST OF COMPLIANCE ADVISER

As at 30 June 2021, except for the compliance adviser agreement entered into between the Company and TC Capital International Limited (“**TC Capital**”) dated 23 February 2018 (“**Compliance Adviser Agreement**”), 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.

The Compliance Adviser Agreement was terminated on 31 March 2021.

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.

Management Discussion and Analysis

Provision A.2.1 of the Corporate Governance 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 both the Chairman of our Board and the Chief Executive Officer of our Company. In view of the fact that Mr. Cheuk has been assuming 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 provision A.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.

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. 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, 13 August 2021

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
恒偉集團控股有限公司