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SANVO Fine Chemicals Group Limited
三和精化集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 301)

**ANNUAL RESULTS ANNOUNCEMENT FOR
THE YEAR ENDED 31 DECEMBER 2020**

FINANCIAL HIGHLIGHTS

- Subject to the shareholders' approval at the forthcoming annual general meeting, a final dividend of HK3.0 cents (FY2019: HK2.4 cents) per ordinary share of the Company was proposed for FY2020 (please refer to Note 9 to the consolidated financial statements for FY2020 for details).
- Revenue for FY2020 was approximately RMB840.0 million, increased by approximately 3.2% as compared to approximately RMB814.0 million for FY2019.
- Gross profit for FY2020 was approximately RMB268.9 million, increased by approximately 19.8% as compared to approximately RMB224.5 million for FY2019.
- Gross profit margin increased to approximately 32.0% for FY2020 as compared to approximately 27.6% for FY2019.
- Profit for FY2020 increased by approximately 175.0% to approximately RMB65.8 million from approximately RMB23.9 million for FY2019.

The board (the "**Board**") of directors (the "**Directors**") of SANVO Fine Chemicals Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020 ("**FY2020**"), together with the comparative figures for the year ended 31 December 2019 ("**FY2019**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	839,989	814,016
Cost of sales		<u>(571,046)</u>	<u>(589,484)</u>
Gross profit		268,943	224,532
Other income and gains	5	5,390	2,944
Selling and distribution expenses		(103,725)	(102,135)
Administrative expenses		(92,886)	(80,843)
Impairment losses on trade receivables		(276)	(642)
Listing expenses		—	(12,753)
Finance costs	6(a)	<u>(3,785)</u>	<u>(4,379)</u>
Profit before income tax	6	73,661	26,724
Income tax expense	7	<u>(7,841)</u>	<u>(2,789)</u>
Profit for the year attributable to owners of the Company		<u>65,820</u>	<u>23,935</u>
Other comprehensive (loss)/income, net of tax			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation		(4,458)	—
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation for overseas subsidiaries		<u>2,813</u>	<u>(316)</u>
Other comprehensive income for the year		<u>(1,645)</u>	<u>(316)</u>
Total comprehensive income for the year attributable to owners of the Company		<u>64,175</u>	<u>23,619</u>
Earnings per share attributable to the owners of the Company			
Basic and diluted (RMB cents)	8	<u>15.5</u>	<u>7.1</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		200,323	117,145
Right-of-use assets		101,275	94,278
Prepayments for acquisition of property, plant and equipment	10	18,803	10,695
Deferred tax assets		138	96
		<u>320,539</u>	<u>222,214</u>
Current assets			
Inventories		63,007	57,007
Trade and bills receivables, other receivables and prepayments	10	166,327	91,364
Pledged bank deposits		38,067	23,000
Cash and cash equivalents		77,168	16,468
		<u>344,569</u>	<u>187,839</u>
Current liabilities			
Trade and bills payables, accruals, contract liabilities and other payables	11	242,419	186,822
Lease liabilities		2,955	1,635
Interest-bearing bank borrowings	12	79,277	71,047
Other borrowings	13	14,001	—
Tax payables		8,348	2,604
		<u>347,000</u>	<u>262,108</u>
Net current liabilities		<u>(2,431)</u>	<u>(74,269)</u>
Total assets less current liabilities		<u>318,108</u>	<u>147,945</u>

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Lease liabilities		7,596	3,938
Interest-bearing bank borrowings	12	54,878	53,763
Other borrowings	13	23,750	—
Deferred income		1,685	1,723
Deferred tax liabilities		3,490	3,945
		<u>91,399</u>	<u>63,369</u>
Net assets		<u>226,709</u>	<u>84,576</u>
CAPITAL AND RESERVES			
Share capital	14	3,792	— *
Reserves		<u>222,917</u>	<u>84,576</u>
Total equity		<u>226,709</u>	<u>84,576</u>

* Less than RMB1,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated as an exempted company and registered in the Cayman Islands with limited liability under the Companies Law Chapter 22 of the Cayman Islands on 12 April 2018. The registered office of the Company is located at PO Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, Cayman Islands. The Company's headquarters and principal place of business in the People's Republic of China (the "**PRC**") is located at Dacen Industrial Park, Huangpu Town, Zhongshan, Guangdong, the PRC and the Company's principal place of business in Hong Kong is located at 5/F., 349 Hennessy Road, Wanchai, Hong Kong. The shares of the Company (the "**Shares**") were listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 16 January 2020 (the "**Listing Date**").

The Company is an investment holding company. The principal activities of the Group are researching, developing, manufacturing and sales of hardware and building materials and automotive maintenance industrial chemical products in the PRC.

As at 31 December 2020, the Directors considered the immediate parent of the Company to be Sanvo Fine Chemicals Limited, a company incorporated in the British Virgin Islands (the "**BVI**"). Its ultimate controlling party is Mr. Chen Bingqiang (Mr. Ernest Chen), who is also the chairman of the Board and executive Director.

2. BASIS OF PREPARATION

The consolidated financial statements set out in this announcement has been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IAS**") and related interpretations issued by the International Accounting Standards Board ("**IASB**"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements have been prepared on the historical cost basis.

The consolidated financial statements are presented in RMB and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

The companies comprising the Group underwent a reorganisation (the "**Reorganisation**") to rationalise the Group's structure in preparation for the Listing. Details about steps taken in the Reorganisation are set out in the prospectus of the Company dated 27 December 2019.

The consolidated statements of comprehensive income for FY2020 and FY2019 include the results of companies within the Group as if the current group structure had been in existence throughout the reporting periods, or since their date of establishment, incorporation or acquisition, where applicable. The consolidated statements of financial position of the Group as at 31 December 2020 and 2019 have been prepared to present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective date of establishment, incorporation or acquisition, where applicable.

All significant intra-group transactions, balances and unrealised gains on transactions have been eliminated on consolidation. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

Non-controlling interests in the results of the Group are presented on the face of the consolidated statements of comprehensive income between non-controlling interests and the owners of the Company.

3. Adoption of new and revised IFRSs

(a) Adoption of new and revised IFRSs — effective 1 January 2020

The IASB has issued a number of revised IFRSs which became effective during the year ended 31 December 2020. In preparing the consolidated financial statements, the Group has applied all these revised IFRSs which are effective for the Group's accounting period beginning on or after 1 January 2020.

IAS1 and IAS 8 Amendments	Definition of Material
IFRS 3 Amendments	Definition of a Business
IFRS 9, IAS 39 and IFRS 7 Amendments	Interest Rate Benchmark Reform — Phase 1
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current or prior periods and/or on the disclosures set out in these consolidated financial statements. The Group has not applied any new or revised standard or interpretation that is not yet effective for the current accounting period.

(b) New and revised IFRS not yet adopted

At the date of this announcement, certain new and revised IFRSs have been issued by IASB but are not yet effective, and have not been applied early by the Group.

		Effective for annual reporting periods beginning on or after
IFRS 10 and IAS 28 Amendments	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined*
IFRS 16 Amendments	COVID-19-Related Rent Concessions	1 June 2020
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments	Interest Rate Benchmark Reform — Phase 2	1 January 2021
IAS 16 Amendments	Property, Plant and Equipment — Proceeds before Intended Use	1 January 2022
IAS 37 Amendments	Onerous Contracts — Cost of Fulfilling a Contract	1 January 2022
IFRS 3 Amendments	Reference to the Conceptual Framework	1 January 2022
IFRSs Amendments 2018-2020	Annual Improvements to IFRSs	1 January 2022
IAS 1 Amendments	Classification of Liabilities as Current or Non-current	1 January 2023
IFRS 17	Insurance Contracts	1 January 2023

* On 17 December 2015, the IASB issued “Effective Date of Amendments to IFRS 10 and IAS 28”. This update defers the effective date of the amendments in “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” that the IASB issued in September 2014. Early application of these amendments continues to be permitted.

The Group has already commenced an assessment of the related impact of adopting the above new and revised IFRSs. So far, it has concluded that the above new and revised IFRSs will be adopted at the respective effective dates and the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

4. SEGMENT REPORTING

The Group has three reportable segments which are the Group's strategic business units, as follows:

Aerosols	—	Sales of spray paints and automotive care products, including spray paint, carburetor cleaner, spray wax, anti-rust spray lubricant, polyurethane foam, cleaning spray and spray refrigerant for automobile air-conditioners
Organic silicone adhesives	—	Sales of product series, which are all silicone-based adhesives
Synthetic adhesive	—	Sales of several product series, which are all multi-purpose contact adhesives

Information about strategic business units of other operating segments that are not reportable in accordance with IFRS 8 *Operating Segments* are consolidated and disclosed in "All other segments".

These strategic business units offer different products, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the chairman of the Company, who is the chief operating decision makers ("**CODM**") of the Group during the year, reviews internal management reports on a monthly basis. There was no aggregation of operating segments in arriving at the reportable segments of the Group.

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the CODM monitors the results attributable to each reportable segment on the following basis:

Segment profit represents the gross profit earned by each segment without allocation of central administration expenses (including emoluments of directors and senior management, listing expenses), selling and distribution expenses, other income and gains and finance costs. This is the measure reported to the Group's CODM for the purposes of resource allocation.

The CODM reviews the Group's assets and liabilities as a whole without allocation to each segment. In his opinion, all strategic business units consume similar materials and their products are produced by same machinery and equipment and then they are sold to same customers. As a result, it is not necessary to monitor the assets and liabilities under different segments. No segment information on assets and liabilities is presented accordingly.

During FY2020 and FY2019, the Group generated revenue primarily from the sale of three categories of products under these segments. The following table sets out the breakdown of the revenue and segment profit by reportable segment:

	Aerosols RMB'000	Organic silicone adhesives RMB'000	Synthetic adhesive RMB'000	Total RMB'000
For the year ended 31 December 2020				
Revenue from external customers and reportable segment revenue — Point in time	<u>529,740</u>	<u>144,422</u>	<u>60,713</u>	<u>734,875</u>
Reportable segment profit	<u><u>191,714</u></u>	<u><u>31,354</u></u>	<u><u>17,309</u></u>	<u><u>240,377</u></u>
For the year ended 31 December 2019				
Revenue from external customers and reportable segment revenue — Point in time	<u>483,653</u>	<u>141,805</u>	<u>74,047</u>	<u>699,505</u>
Reportable segment profit	<u><u>144,496</u></u>	<u><u>37,478</u></u>	<u><u>17,147</u></u>	<u><u>199,121</u></u>

(b) Reconciliations of reportable segment revenue and consolidated profit before income tax

A reconciliation of segment revenue to consolidated revenue is presented as follows:

	2020 RMB'000	2019 RMB'000
Total reportable segment revenue	734,875	699,505
All other segments revenue (Note)	<u>105,114</u>	<u>114,511</u>
Consolidated revenue	<u><u>839,989</u></u>	<u><u>814,016</u></u>

A reconciliation of segment results to consolidated profit before income tax is presented as follows:

	2020	2019
	RMB'000	RMB'000
Total of reportable segments profit	240,377	199,121
All other segments profit <i>(Note)</i>	28,566	25,411
Other income and gains	5,390	2,944
Selling and distribution expenses	(103,725)	(102,135)
Administrative expenses	(92,886)	(80,843)
Impairment losses on trade receivables	(276)	(642)
Listing expenses	—	(12,753)
Finance costs	(3,785)	(4,379)
	<u>73,661</u>	<u>26,724</u>
Consolidated profit before income tax	<u>73,661</u>	<u>26,724</u>

Note: Segment revenue and segment profit from other segments represent the sales of architectural coatings, oil products, wood paints and others.

(c) Geographical information

The Company is an investment holding company and the principal place of the Group's operation is in the PRC. Substantial of the Group's non-current assets are located in the PRC as at 31 December 2020 and 2019. The following table provides an analysis of the Group's revenue generated from external customers by geographical market.

	2020	2019
	RMB'000	RMB'000
The PRC	807,095	788,926
Australia	30,449	23,862
Others	2,445	1,228
	<u>839,989</u>	<u>814,016</u>

(d) Information about major customers

No revenue from a single external customer accounted for 10% or more of the Group's revenue for FY2020 and FY2019.

5. REVENUE AND OTHER INCOME AND GAINS

Revenue from the Group's principal activities, represents revenue derived from the sales of hardware and building materials and automotive maintenance industrial chemical products. Revenue and other income and gains recognised during FY2020 and FY2019 are as follows:

	2020	2019
	RMB'000	RMB'000
Revenue (<i>Note (i)</i>)	839,989	814,016
Other income and gains		
Bank interest income	1,244	282
Rental income	747	564
Government subsidies (<i>Note (ii)</i>)	2,356	1,836
Gain on disposal of property, plant and equipment	—	183
Sundry income	1,043	79
	5,390	2,944

Notes:

- (i) Disaggregation of revenue from contracts with customers by major categories of products is disclosed in Note 4 to the consolidated financial statements for FY2020.

All sales contracts are for period of one year or less. The Group has applied the practical expedient in paragraph 121 of IFRS 15 to its sales contracts such that the information about revenue that the Group will be entitled to when it satisfies the remaining performance obligations under the contracts for sales of products that have an original expected duration of one year or less is not disclosed.

- (ii) The Group received unconditional subsidies of approximately RMB2,230,000 from the PRC Government during FY2020 (2019: RMB1,836,000) as a recognition of the Group's contribution to the development of the local economy.

During FY2020, the Group also received Government grants of approximately RMB126,000 (2019: Nil) from the Employment Support Scheme, Subsidy Scheme for the Securities Industry and one-off subsidy for transport trades under the Anti-epidemic Fund of the Government of the Hong Kong Special Administrative Region which aims to retain employment and combat COVID-19 epidemic.

There are no unfulfilled conditions or contingencies attaching to the aforesaid grants.

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging/(crediting):

(a) Finance costs

	2020 RMB'000	2019 RMB'000
Interest on interest-bearing bank borrowings	8,227	6,988
Interest on other borrowings	97	—
Interest on lease liabilities	393	394
Less: interest capitalised into property, plant and equipment (<i>Note</i>)	<u>(4,932)</u>	<u>(3,003)</u>
	<u>3,785</u>	<u>4,379</u>

Note: During FY2020, the finance costs have been capitalised at an effective interest rate of 6.38% (2019: 6.36%) per annum.

(b) Other items

	2020 RMB'000	2019 RMB'000
Auditor's remuneration	935	882
Cost of inventories recognised as expenses	571,046	589,484
Depreciation of property, plant and equipment	9,793	8,909
Depreciation of right-of-use assets	4,270	4,262
Impairment losses on trade receivables	276	642
Written off of property, plant and equipment	2,648	—
Net exchange loss	308	210
Expenses relating to short-term leases	438	—
Employee benefit expenses (including directors' remuneration and salaries in research and development expenses) (<i>Note (i)</i>)		
— Salaries, allowances and benefits in kind	81,110	71,139
— Discretionary bonus	5,631	3,594
— Retirement benefit scheme contributions	2,819	4,025
	<u>89,560</u>	<u>78,758</u>
Research and development expenses (<i>Note (ii)</i>)		
— Material consumption	16,486	19,359
— Employee benefit expenses	17,006	13,631
— Others	3,156	3,716
	<u>36,648</u>	<u>36,706</u>

Notes:

- (i) Employee benefit expenses are included in cost of sales, selling and distribution expenses and administrative expenses.
- (ii) Research and development expenses are included in administrative expenses.

7. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax expense		
— PRC Enterprise Income Tax ("EIT")	9,178	4,867
— Over-provision of income tax expense in the prior year	(840)	(2,024)
Deferred tax credit		
— the origination and reversal of temporary differences	<u>(497)</u>	<u>(54)</u>
Income tax expense	<u><u>7,841</u></u>	<u><u>2,789</u></u>

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operated.

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax under these jurisdictions during FY2020 (2019: Nil).

No provision for income tax has been made for the subsidiaries incorporated in Hong Kong as the subsidiaries did not have any estimated assessable profits subject to Hong Kong Profits Tax during FY2020 (2019: Nil).

Under the Enterprise Income Tax Law of the PRC (the "EIT Law") and the Implementation Regulation of the EIT Law, the subsidiaries operating in the PRC are subject to the tax rate of 25% (2019: 25%) on the estimated assessable profits during FY2020 except for three (2019: four) of the subsidiaries operating in the PRC which were approved to be high and new technology enterprises ("HNTE") during FY2020. Enterprise approved to be HNTE are entitled to enjoy a reduced enterprise income tax rate of 15% (2019: 15%) and additional 50% (2019: 50%) tax reduction based on the eligible research and development expenses with a validity period of three years. Guangdong Sanvo Chemical Industry Technology Limited, Guangdong Sanvo Holdings Co., Limited and Guangdong Fuvo Industrial Co., Limited (2019: Guangdong Sanvo Chemical Industry Technology Limited, Guangdong Shunde Sanvo Chemical Industry Technology Limited, Guangdong Sanvo Holdings Co., Limited and Guangdong Fuvo Industrial Co., Limited) were approved to be HNTE and enjoyed the preferential tax rate and tax reduction for HNTE during FY2020. The HNTE certificate needs to be renewed every three years so as to enable the respective subsidiaries to enjoy the reduced tax rate of 15%.

8. EARNINGS PER SHARE

The calculations of basic earnings per share are based on the profit of approximately RMB65,820,000 (2019: RMB23,935,000) for the year attributable to the owners of the Company and the weighted average of 423,811,000 (2019: 337,500,000) shares in issue during FY2020.

The weighted average number of shares used to calculate the basic earnings per share for FY2020 included the weighted average effect of 90,000,000 shares issued upon the share offering of the Company's shares on 16 January 2020 and the 337,500,000 shares in issue prior to the Listing.

The 337,500,000 shares used to calculate the basic earnings per share for FY2019 represented the number of shares of the Company immediately prior to the Listing as if the shares had been in issue throughout FY2019.

Diluted earnings per share were same as the basic earnings per share as there were no dilutive potential ordinary shares in existence during FY2020 and FY2019.

9. DIVIDENDS

Proposed final dividend for FY2020

Subject to the shareholders' approval at the forthcoming annual general meeting of the Company, a final dividend of HK\$12,825,000 (2019: HK\$10,260,000), representing HK3.0 cents (2019: HK2.4 cents) per ordinary share, was proposed by the Board for FY2020 (the "**Proposed Dividend**").

The Proposed Dividend has not been provided in the consolidated financial statements for FY2020.

10. TRADE AND BILLS RECEIVABLES, OTHER RECEIVABLES AND PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Non-current portion		
Prepayments for acquisition of property, plant and equipment (<i>Note (i)</i>)	<u>18,803</u>	<u>10,695</u>
Current portion		
Trade receivables	70,790	62,009
Less: Impairment loss	<u>(918)</u>	<u>(642)</u>
	69,872	61,367
Bills receivables	<u>1,189</u>	<u>1,823</u>
Trade and bills receivables, net	71,061	63,190
Other receivables (<i>Notes (ii) and (iii)</i>)	63,564	4,285
Prepaid listing expenses	—	4,805
Prepayments (<i>Note (iv)</i>)	<u>31,702</u>	<u>19,084</u>
	<u>166,327</u>	<u>91,364</u>

Note:

- (i) It represents the amount prepaid to vendors for acquisition of property, plant and equipment which was not yet delivered as at the end of each reporting date.
- (ii) As at 31 December 2020, balance of RMB525,000 (2019: RMB525,000) included in other receivables, represents the amount due from a related company which two of the executive directors are the beneficial owners of this related company. The amount is interest-free, unsecured and repayable on demand. The maximum amount due from that related company during the year amounted to RMB525,000 (2019: RMB525,000).
- (iii) The Group is intending to expand its market reach to Central China in the future, concerning the growth in domestic provinces and geographical advantage in logistic arrangements with distributors in Eastern China, Northwest and Northeast China.

On 6 January 2020, the Group entered into a non-binding memorandum of understanding (“**MOU**”) with an independent third party (“**ITP**”). The ITP has conducted foreign trading activities in China for many years, with extensive knowledge and networking channels across different provinces in China.

Pursuant to the MOU, the ITP will deliver to the Group industrial land (land use rights) located in an authorised industrial park in Central China which is suitable for the manufacturing of chemical related products (the "**Transaction**"). The ITP will i) conduct the necessary negotiation and lobbying work; ii) seek for preferential policies (i.e. tax concession, foreign investment policy); iii) coordinate with all relevant authorities to complete application procedures; and iv) obtain any relevant approvals. Upon completion, the land use rights will be delivered by way of set up in a wholly-owned foreign entity ("**WOFE**") structure. Correspondingly, the Group agrees to provide repayable short-term financial advancement ("**Short-term Advancement**") to the ITP to support the Transaction (i.e. land use rights deposit payments, preliminary land adjustment construction work and etc.). The Short-term Advancement amount will be deducted against the settlement amount of the Transaction upon completion. The Group has the right to i) terminate the MOU at any time before the ITP obtains the land use rights and demand for repayment of all Short-term Advancement made; ii) take over the ownership of the WOFE and the entitlement for all payments/deposits made to the relevant authorities in the event the ITP is unable to repay the Short-term Advancement; and iii) subject to the legal and financial due diligence and after the issuance of the land use rights certification, the Group will enter into an official sales and purchase agreement with the ITP. The Transaction completion date must not be later than 31 July 2021.

During FY2020, the Group had conducted onsite due diligence works, including but not limited to, covering site visits, feasibility studies, documentation audit (i.e. official invoice and receipts, bank supporting documents for payments made to the relevant authorities for the land use rights), interviews and discussions with the relevant authorities, and provided RMB52,000,000 Short-term Advancement to the ITP in total. The controlling shareholder of the Company, Mr. Ernest Chen (chairman of the Board and executive Director) has provided personal guarantee for the Short-term Advancement. (Note 15(b)).

After considering the financial capability of the ITP, the Directors concluded that no allowance for ECL for the carrying amount of the Short-term Advancement was required.

- (iv) Prepayments for purchase of raw materials amounting to approximately RMB17,693,000 (2019: RMB9,574,000) were included in prepayments. The remaining amount of approximately RMB14,009,000 (2019: RMB9,510,000) were mainly prepayments for the supplier services to support the Group's ordinary business.

All of the trade and bills receivables and current portion of prepayments and other receivables are expected to be recovered or recognised as expense within one year.

The credit period for trade receivables is normally 180 days (2019: 180 days) from the date of billing for the year.

The following table provides information about the Group's exposure to credit risk and expected credit losses ("ECLs") for trade receivables:

Ageing based on the invoice date	Weighted average expected loss rate %	Gross carrying amount RMB'000	Loss allowance RMB'000	Net carrying amount RMB'000
At 31 December 2020				
Within 1 month	0.2	22,553	(60)	22,493
Over 1 month but less than 3 months	1.0	33,832	(343)	33,489
Over 3 months but less than 1 year	3.5	14,405	(515)	13,890
		<u>70,790</u>	<u>(918)</u>	<u>69,872</u>
At 31 December 2019				
Within 1 month	0.2	27,281	(48)	27,233
Over 1 month but less than 3 months	0.8	19,175	(159)	19,016
Over 3 months but less than 1 year	2.8	15,553	(435)	15,118
		<u>62,009</u>	<u>(642)</u>	<u>61,367</u>

11. TRADE AND BILLS PAYABLES, ACCRUALS, CONTRACT LIABILITIES AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Trade payables (Note (i))	128,883	106,089
Bills payables (Note (ii))	38,135	21,945
Accrued expenses	3,379	3,791
Accrued employee benefit expenses	17,344	14,851
Accrued listing expenses	—	10,698
Deferred income — current portion	38	38
Contract liabilities	13,464	12,020
Other payables (Note (iii))	41,176	17,390
	<u>242,419</u>	<u>186,822</u>

Notes:

- (i) The credit period received from suppliers of the Group is ranging from 30 to 90 days (2019: 30 to 90 days) for the year. The ageing analysis of trade payables based on invoice date is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 month	94,690	73,054
Over 1 month but less than 3 months	28,926	30,106
Over 3 months but less than 1 year	3,595	2,256
Over 1 year	1,672	673
	<u>128,883</u>	<u>106,089</u>

- (ii) At 31 December 2020, bills payables of approximately RMB38,135,000 (2019: RMB21,945,000) were secured by pledged bank deposits.
- (iii) As at 31 December 2020, balance of approximately RMB5,943,000 (2019: Nil) included in other payables, represents the amount due to a director, Mr. Ernest Chen. The amount is non-trade in nature, interest-free, unsecured and repayable on demand.

12. INTEREST-BEARING BANK BORROWINGS

	2020 RMB'000	2019 RMB'000
Current		
Interest-bearing bank borrowings — secured (<i>Note</i>)	79,277	71,047
Non-current		
Interest-bearing bank borrowings — secured (<i>Note</i>)	54,878	53,763
	<u>134,155</u>	<u>124,810</u>

Note: Interest was charged in the range of 4.90% to 6.47% (2019: 5.56% to 6.47%) per annum for FY2020.

At 31 December 2020 and 2019, total current and non-current interest-bearing bank borrowings were scheduled to be repaid as follows:

	2020 RMB'000	2019 RMB'000
Within one year	79,277	71,047
Within a period of more than one year but not more than two years	11,758	8,147
Within a period of more than two years but not more than five years	20,496	19,583
Within a period of more than five years	22,624	26,033
	<u>134,155</u>	<u>124,810</u>

At the end of each reporting period, the Group's interest-bearing bank borrowings were secured by the following assets:

	2020 RMB'000	2019 RMB'000
Property, plant and equipment	22,120	37,967
Right-of-use assets	85,743	89,093
Inventories	—	16,406
	<u>—</u>	<u>16,406</u>

As at 31 December 2020, the Group's interest-bearing bank borrowings of approximately RMB134,155,000 (2019: RMB124,810,000) were also guaranteed by certain subsidiaries (2019: guaranteed by certain subsidiaries, the ultimate controlling shareholder and an executive director of the Company).

13. OTHER BORROWINGS

	2020 RMB'000	2019 RMB'000
Current		
Other borrowings — secured (<i>Note</i>)	14,001	—
Non-current		
Other borrowings — secured (<i>Note</i>)	23,750	—
	<u>37,751</u>	<u>—</u>

Note: Interest is charged at 6.45% (2019: Nil) per annum for FY2020.

In September 2020, the Group entered into agreements with financing companies, independent third parties, pursuant to which the Group has agreed to transfer the ownerships of certain machineries (the “**Machineries**”) to the financing companies, at an aggregated consideration of approximately RMB38,331,000 and lease back the Machineries for a period of 3 years, subject to the terms and conditions of the agreements. The financing companies will return the ownerships of the Machineries to the Group upon the completion of the transactions. In the opinion of the directors of the Company, despite the agreements involve a legal form of a lease, the transfer of legal title of Machineries do not satisfy the requirement of IFRS 15 to be accounted for as a sale of the Machineries and hence, the Group accounted for the proceeds received as collateralised loans.

At 31 December 2020, total current and non-current other borrowings were scheduled to be repaid as follows:

	2020 RMB'000	2019 RMB'000
Within one year	14,001	—
Within a period of more than one year but not more than two years	12,750	—
Within a period of more than two years but not more than five years	11,000	—
	<u>37,751</u>	<u>—</u>

At the end of each reporting period, the Group's other borrowings were secured by the following assets:

	2020 RMB'000	2019 RMB'000
Property, plant and equipment	<u>8,254</u>	<u>—</u>

As at 31 December 2020, the Group's other borrowings of approximately RMB37,751,000 (2019: Nil) were also guaranteed by certain subsidiaries of the Company.

14. SHARE CAPITAL

	Number of shares	Share capital RMB'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 January 2019	39,000,000	313
Increase in authorised share capital on 13 December 2019 (Note (a))	<u>1,461,000,000</u>	<u>13,074</u>
At 31 December 2019, 1 January 2020 and 31 December 2020	<u>1,500,000,000</u>	<u>13,387</u>
Issued and fully paid:		
At 1 January 2019, 31 December 2019 and 1 January 2020	100	—*
Issue of shares arising from Reorganisation (Note (b))	337,499,900	2,994
Issue of shares arising from share offer (Note (c))	<u>90,000,000</u>	<u>798</u>
At 31 December 2020	<u>427,500,000</u>	<u>3,792</u>

* Less than RMB1,000

Notes:

- (a) On 13 December 2019, the authorised share capital of the Company was increased from HK\$390,000 divided into 39,000,000 Shares of par value of HK\$0.01 each to HK\$15,000,000 divided into 1,500,000,000 Shares of par value of HK\$0.01 each by the creation of an additional 1,461,000,000 Shares of par value of HK\$0.01 each pursuant to the written resolutions passed by the shareholders of the Company.
- (b) Pursuant to the written resolutions passed by the Directors on 13 January 2020, 323,999,904 Shares and 13,499,996 Shares were allotted on 15 January 2020, and issued at par value of HK\$0.01 each to Mr. Ernest Chen and Mr. Victor Heng, respectively as fully paid at par, by way of capitalisation of the sum of HK\$3,375,000 debited to the share premium account.
- (c) On 16 January 2020, 90,000,000 Shares with a par value of HK\$0.01 each of the Company were issued at a price of HK\$1.30 per Share by way of share offer. On the same date, the Shares were listed on the Main Board of the Stock Exchange.

15. RELATED PARTY TRANSACTIONS

Save as disclosed in the consolidated financial statements for FY2020, the Group had the following transactions with its related parties in the normal course of its business and mutually agreed between both parties:

(a) Recurring transactions

	2020	2019
	RMB'000	RMB'000
Rent paid to Mr. Ernest Chen (<i>Notes (i) and (ii)</i>)	2,100	1,680
Purchase of red wine from a related company (<i>Notes (iii)</i>)	1,029	1,321
	<u>1,029</u>	<u>1,321</u>

- (i) The Group rents two properties from Mr. Ernest Chen with a lease term of 2.4 to 3 years (2019: 2.4 to 3 years) with annual rent payment of RMB1,680,000 (2019: RMB1,680,000). These leased properties are recognised as right-of-use assets with net carrying amount of RMB717,000 (2019: RMB2,291,000), with respective lease liabilities of RMB768,000 (2019: RMB2,359,000) as at 31 December 2020.
- (ii) During FY2020, the Group rented another property from Mr. Ernest Chen with a lease term of 6 months (2019: Nil) with aggregated rent payment of RMB420,000 (2019: Nil).
- (iii) Mr. Ernest Chen and Mr. Leo Chen, both the executive Directors, are the beneficiary owners of this related company.

(b) Guarantees provided by related parties

	2020	2019
	RMB'000	RMB'000
Guarantees of interest-bearing bank borrowings provided by Mr. Ernest Chen	—	25,000
Guarantees of interest-bearing bank borrowings provided by Mr. Leo Chen	—	25,000
Guarantees of other receivables provided by Mr. Ernest Chen	52,000	—
	<u>52,000</u>	<u>—</u>

In March 2020, the guarantees of interest-bearing bank borrowings provided by Mr. Ernest Chen and Mr. Leo Chen were released.

(c) Key management personnel remuneration

Key management personnel are those persons holding positions with authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including the Directors. Key management personnel remuneration is as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	5,266	1,559
Retirement benefit scheme contributions	69	47
	<u>5,335</u>	<u>1,606</u>

16. COMMITMENTS

(a) Capital Commitments

Capital expenditures contracted for but not yet incurred at the end of each reporting period are as follows:

	2020 RMB'000	2019 RMB'000
Property, plant and equipment	<u>86,031</u>	<u>26,936</u>

(b) Operating lease commitments

The Group as the lessor

As at 31 December 2020, the Group had total future minimum lease receivables under non-cancellable operating lease with its tenants which fall due as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	<u>150</u>	<u>—</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Principal business

The Group is an established fine industrial chemical products manufacturer based in the PRC. The Group focuses principally on the manufacture, research and development, and sale of a diversified portfolio of fine industrial chemical products, which can serve a range of purposes, including as hardware and building materials and towards automotive maintenance. The Group's products can be broadly categorised into the following segments: (i) aerosols, (ii) organic silicone adhesives, (iii) synthetic adhesives, and (iv) other miscellaneous products such as architectural coatings, oil products and wood paints.

The Group has two principal lines of business operations, namely the manufacture and sale of fine industrial chemical products: (i) under the brands of “SANVO 三和” and “FullTeam 芙田”, and (ii) on an original equipment manufacturing (“**OEM**”) basis whereby products are manufactured in accordance with the customer's design and specification and are marketed under the customer's brand name.

For FY2020, the Group's total production output was approximately 54,800 tonnes as compared to FY2019 of approximately 53,800 tonnes. Aerosols related products remain as the major revenue source of the Group which accounted for over approximately 63% of the Group's total revenue for FY2020 (2019: 59%).

The recent outbreak of COVID-19 has a significant impact on global and regional economy (i.e. currency fluctuation, temporary suspension of operation and logistic arrangements and etc.). The Group's sales activity was affected in the 1st quarter in FY2020 (subsequently resumed from the 2nd quarter in FY2020). In fact the Group has been benefited from the outbreak of COVID-19 after resumption of its business, i) as some of the domestic operators in the PRC were not able to financially sustain their business in the 1st half of FY2020 and as a result, there were excessive raw material inventories in the market, thus, the price of these raw materials dropped significantly, ii) nonetheless, some of the overseas manufacturers were not able to deliver customers' order and the Group's OEM export orders was increased over approximately 31% from approximately RMB25,090,000 for FY2019 to approximately RMB32,894,000 for FY2020.

Market development and expansion

- i) Apart from the expansion plan of our production site located at Shazi Industrial Park, Minzhong Town, Zhongshan City, Guangdong, the PRC (the “**MV Production Site**”), the Group is intending to expand its market reach to Central China in future, concerning the growth in domestic provinces and geographical advantage in logistic arrangements with distributors in Eastern China, Northwest and Northeast China. The Group is actively looking for development opportunities in authorised industrial park areas in Central China which is suitable for the manufacturing of chemical related products.
- ii) The Group has a plan to expand its product sales by entering into construction industry in view of the strong growth of the property development sector in the PRC, thus, the product utilisation and turnaround rates are more significant than wholesale/retail network. The Group has established a wholly own foreign entity, Fuvo Construction (Guangdong) Limited on 26 February 2021, with designated personnel to manage and develop this business line.

The Group will continue to focus on the development of (i) the domestic sales network and overseas OEM customers, (ii) the MV Production Site development, (iii) market expansion in Central China and construction industry.

FINANCIAL REVIEW

Revenue

The total revenue of the Group amounted to approximately RMB839,989,000 for FY2020, representing an increase of approximately 3.2% from approximately RMB814,016,000 for FY2019. The increase of revenue was mainly attributable to the increase in average selling price of the Group's products.

Gross profit and gross profit margin

Gross profit of the Group amounted to approximately RMB268,943,000 for FY2020, representing an increase of approximately 19.8% from approximately RMB224,532,000 for FY2019. Gross profit margin increased from approximately 27.6% for FY2019 to approximately 32.0% for FY2020. The above increase was primarily due to the decrease in average unit cost of sales arising from the decrease in purchase price of raw materials.

Other income and gains

Other income and gains of the Group increased from approximately RMB2,944,000 for FY2019 to approximately RMB5,390,000 for FY2020. The increase was mainly attributable to the increase in the Government subsidies and interest income subsequent to the receipt of IPO proceed.

Selling and distribution expenses

Selling and distribution expenses of the Group for FY2020 was approximately RMB103,725,000, remained at the same level as to FY2019 of approximately RMB102,135,000.

Administrative expenses

Administrative expenses of the Group increased from approximately RMB80,843,000 for FY2019 to approximately RMB92,886,000 for FY2020. The increase was mainly due to the increase (i) employee benefit expenses, (ii) corporate expenses subsequent to listing and (iii) written-off of property, plant and equipment.

Listing expenses

The Group has fully recognised the remaining IPO listing expenses in FY2019 of approximately RMB12,753,000 and no such expenses in FY2020.

Finance costs

Finance costs of the Group decreased from approximately RMB4,379,000 for FY2019 to approximately RMB3,785,000 for FY2020. The reason for the decrease was caused by the increase in interest expenses being capitalised into property, plant and equipment in FY2020.

Profit before income tax

As a result of the foregoing, the Group's profit before tax increased from approximately RMB26,724,000 for FY2019 to approximately RMB73,661,000 for FY2020.

Income tax expense

Income tax expense of the Group increased from approximately RMB2,789,000 for FY2019 to approximately RMB7,841,000 for FY2020. The increase was mainly due to an increase in the tax provision for Group's assessable profits in FY2020.

Profit for the year

The Group's profit for FY2020 attributable to owners of the Company was approximately RMB65,820,000, representing an increase of approximately 175.0% as compared to the profit for FY2019 of approximately RMB23,935,000.

Liquidity and financial resources

For FY2020, the Group had funded its growth principally from cash generated from the sale of its products and debt financing, and the Group had generated sufficient cash and cash equivalents to meet its capital requirements.

Cash and bank deposits

As at 31 December 2020, the Group had cash and bank deposits (including pledged bank deposits) of approximately RMB115,235,000 (2019: RMB39,468,000).

Interest-bearing bank borrowings and other borrowings

As at 31 December 2020, the Group had interest-bearing bank borrowings and other borrowings in aggregate of approximately RMB171,906,000 (2019: bank borrowings of approximately RMB124,810,000). The interest rate of the relevant borrowings was charged in the range of 4.90% to 6.47% per annum for FY2020 (2019: 5.56% to 6.47% per annum).

Net current liabilities

The Group recorded net current liabilities of approximately RMB2,431,000 as of 31 December 2020 (2019: RMB74,269,000). The current ratio, calculated by dividing the current assets by current liabilities, was approximately 0.99 as at 31 December 2020 (2019: 0.72). The decrease in net current liabilities was primarily due to (i) increase in trade and bills receivables and (ii) increase in cash and cash equivalents derived from our operation and IPO proceeds.

Material acquisitions and disposals

For FY2020, the Group did not have any material acquisitions and disposals of its subsidiaries, associated companies and joint ventures.

Pledged assets

As at 31 December 2020, the total pledged bank deposits of the Group was approximately RMB38,067,000 (2019: RMB23,000,000) were placed with a bank as securities for, amongst others, issues of bills payables for the Group's purchase of raw materials and guarantee to complete construction work for the right-of-use assets acquired in prior years.

As at 31 December 2020 and 2019, the Group's interest-bearing bank borrowings and other borrowings were secured by the following assets:

	2020	2019
	RMB'000	RMB'000
Property, plant and equipment	30,374	37,967
Right-of-use assets	85,743	89,093
Inventories	—	16,406

Gearing ratio

The gearing ratio, calculated by dividing total borrowings by equity of the Group, was approximately 0.8 as at 31 December 2020 (2019: 1.5). The decrease of approximately 46.7% was mainly attributable to the increase in the total equity as a result of (i) increase in share capital and share premium subsequent to the Listing and (ii) profit for the year of approximately RMB65,820,000 recorded in FY2020.

Capital structure

The Shares were listed on the Main Board of the Stock Exchange on the Listing Date. There has been no change in the capital structure of the Company since the Listing Date and up to the date of this announcement. The capital structure of the Group consists of net debt, which included interest-bearing bank borrowings, net of cash and cash equivalents, and equity attributable to owners of the Company, comprising share capital and reserves.

Capital commitments

Capital commitments related to capital expenditures for acquisition and construction of property, plant and equipment which the Group has contracted for but not yet incurred, which amounted to approximately RMB86,031,000 as at 31 December 2020 (2019: RMB26,936,000).

Contingent liabilities

The Group did not have any material contingent liabilities as at 31 December 2020 and 2019.

Information on employees

As at 31 December 2020, the Group had 957 employees (31 December 2019: 881), including the executive Directors. The Group's total employee benefit expenses (including Directors' remuneration and salaries in research and development expenses) were approximately RMB89,560,000 for FY2020 (2019: RMB78,758,000). Employee benefit expenses comprised of (i) salaries, allowances and benefits in kind, (ii) discretionary bonus, and (iii) retirement benefit scheme contributions.

Significant investments held

As at 31 December 2020, the Group did not hold any significant investments (2019: Nil).

USE OF NET PROCEEDS FROM LISTING

The shares of the Company were listed on the Stock Exchange on the Listing Date at the offer price of HK\$1.3 per share and the net proceeds raised from this initial public offering, after deducting the related underwriting commissions and other estimated listing expenses payable by the Company, amounted to approximately HK\$75.2 million (the "**IPO Proceeds**"). The IPO Proceeds are intended to be utilised in accordance with the proposed application as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 27 December 2019 (the "**Prospectus**").

As at the date of this announcement, the utilisation of the IPO Proceeds was as follows:

	Allocation as disclosed in the Prospectus HK\$'000	Amount utilised during FY2020 HK\$'000	Remaining balance as at 31 December 2020 HK\$'000
Investment in new manufacturing facility at the MV Production Site	60,200	34,820	25,380
Sales and marketing activities to enhance brand recognition in the PRC and overseas	7,500	7,500	—
Working capital and other general corporate purpose	7,500	7,500	—
Total	<u>75,200</u>	<u>49,820</u>	<u>25,380</u>

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

There were no significant events after the reporting period and up to the date of this announcement.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of HK3.0 cents (2019: HK2.4 cents) per Share for FY2020 to the shareholders of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During FY2020 and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE

The Company confirms that, other than the deviation from code provision A.2.1, the Company had complied with all the code provisions (the “**Code Provisions**”) set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the period from the Listing Date to the date of this announcement.

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. Ernest Chen is the chairman of the Board and the chief executive officer of the Company. In view that Mr. Ernest Chen has been assuming day-to-day responsibilities in operating and managing the Group, the Board believes that with the support of Mr. Ernest Chen’s extensive experience and knowledge in the business of the Group, vesting the roles of both chairman and chief executive officer of the Company in Mr. Ernest Chen strengthens the solid and consistent leadership and thereby allows for efficient business planning and decision which is in the best interest to the 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 the Group’s operations, and sufficient checks and balances are in place. The Directors are committed to achieving high standards of corporate governance with a view to safeguarding the interests of the Company and its shareholders as a whole. The Board will continue to review and consider segregating the roles of chairman of the Board and the chief executive officer of the Company at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the required standards for securities transactions by the Directors. Specific enquiries have been made to all the Directors and all the Directors have confirmed that they had complied with the required standards, where applicable, set out in the Model Code during the period from the Listing Date to the date of this announcement.

AUDIT COMMITTEE

The Company established an audit committee (the “**Audit Committee**”) on 13 December 2019 in compliance with the requirements under the Listing Rules. The primary duties of the Audit Committee are, among other things, to review and supervise our financial reporting process and internal control system, nominate and monitor external auditors and to provide advice and comments to the Board on matters related to corporate governance.

The annual results of the Company for the year ended 31 December 2020 have been reviewed by the Audit Committee which is of the view that the annual results of the Company for the year ended 31 December 2020 are prepared in accordance with applicable accounting standards, rules and regulations and appropriate disclosures have been duly made.

As at the date of this announcement, the Audit Committee consisted of three independent non-executive Directors, namely Mr. Yeung Chun Yue David, Ir. Daniel Lai and Mr. Xu Kai. Mr. Yeung Chun Yue David currently serves as the chairman of the Audit Committee.

ANNUAL GENERAL MEETING

The Company will hold its forthcoming annual general meeting on Thursday, 17 June 2021 (the “**2021 AGM**”), the notice of which will be published and despatched to our shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement of the shareholders of the Company to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, 11 June 2021 to Thursday, 17 June 2021 (both dates inclusive), during which period no transfer of Shares will be effected. In order to qualify for attending and voting at the 2021 AGM, all transfer documents, accompanied by the relevant share certificates, must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 10 June 2021.

For determining the entitlement of the shareholders of the Company to the proposed final dividend, the register of members of the Company will be closed from Monday, 28 June 2021 to Wednesday, 30 June 2021 (both dates inclusive), during which period no transfer of shares of the Company will be registered.

In order to be eligible to be entitled to the proposed final dividend, all transfers accompanied by the relevant share certificates and transfer forms must be lodged with the Company's Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong before 4:30 p.m. on Friday, 25 June 2021.

Subject to the shareholders' approval at the forthcoming annual general meeting of the Company, the proposed final dividend is expected to be paid on or about 9 July 2021. Please refer to Note 9 to the consolidated financial statements for FY2020 for details.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange at www.hkexnews.hk and the Company at www.sanvo.com, respectively. The annual report of the Company for FY2020 will be despatched to our shareholders and published on the aforesaid websites in due course.

SCOPE OF WORK OF MOORE STEPHENS CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position as at 31 December 2020, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement of the Group have been agreed by the Group's auditor, Moore Stephens CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for FY2020. The work performed by Moore Stephens CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Moore Stephens CPA Limited on the preliminary announcement.

By Order of the Board
SANVO Fine Chemicals Group Limited
Chen Bingqiang
Chairman

Hong Kong, 23 March 2021

As at the date of this announcement, the executive Directors are Mr. Chen Bingqiang, Mr. Chen Bingyao and Mr. Ng Cheuk Lun; and the independent non-executive Directors are Ir. Daniel Lai, Mr. Xu Kai and Mr. Yeung Chun Yue David.